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LABOUR UNREST IN HONG KONG

For a year Hongkong has enjoyed comparative freedom from any dissatisfaction among its industrial workers. The general belief which is based on considerable study of the question is that the wages of industrial workers for the last year have been adequate and that their standard of living is higher than it has ever been. Moreover as Sir Alexander Grantham emphasized after his arrival here the cost of living in Hongkong is amongst the highest in the world today.

On Friday last about eight thousand mechanics were called out on strike by the Chinese Engineers Institute. The strikers belonged mainly to the dockyards, the Kowloon-Canton Railway and the Cement Works, while a number came from the hotels and gasworks. The utility services, however, are not yet affected.

The Institute has presented a cast iron demand for an increase in basic pay for all its members from \$2 to \$5 a day. There appears to be no question of dissatisfaction with general conditions of labour, and therefore there is little or no room for adjustment by negotiation except in this one matter of basic pay.

The strike, which so far has not aroused much feeling amongst the workers generally or caused material disturbance of the life of the community is important from two points of view. It is a bold attempt to crystallise wages at a high level and to prevent the high cost of living allowance being lowered to the figure which ultimately may be found to be reasonable basic wage. It is also important in that most trade unions in this part of the world are more or less under the influence of political factions in China.

Since the war prices and wages have risen in South East Asia far more than in Europe and America. In Hongkong it may be stated gen-

erally that wages of industrial workers have risen from five to ten times those prevailing in 1941. The efforts of Government have been on the whole successful in stabilizing wages and a measure of agreement was reached in 1946 between Government and the principal industrial establishments including the dockyards and utility companies. Some adjustments have had naturally to be made to adapt the agreed basis to individual businesses, but uniformity has been marred by the fact that many Chinese concerns and small employers whose wage terms and employment are based on a more or less temporary basis have remained outside the compact. All trades were graded in accordance with agreed schedules and each grade was divided into four classes according to skill with minimum rates of pay fixed for each class. To these were added a high cost of living allowance related to the cost of food and fuel figures compiled by the Labour Office.

Recently there have been signs of a decline in the cost of living and although it does not appear that the full effect of this decrease has been reflected in the additions to basic pay as the decrease is spread over an average of months, there is considerable apprehension amongst workers that their total emoluments may materially diminish in the future. There is therefore an anxiety to peg wages at a sufficient height above basic pay to prevent the total earnings being lowered much below their present level.

There is room for argument as to how much of the present total emoluments should be incorporated in the basic pay and how much should be left as high cost of living allowance which is dependent on the imponderable uncertainties of the future.

The crux of the problem of prices and wages in South East Asia is the cost of rice, and since the war a

higher percentage of the wage earner's money is spent on this essential food. Although there is great hope that the price of rice may be reduced in the near future to about 40 cents a catty (1-1/3 lbs.) the supply of rice depends on the economic and political conditions in the neighbouring countries which produce and consume rice and it is impossible to predict the future.

It would be disastrous economically to attempt to fix wages at any level which cannot be deemed as definitely safe having regard to possible fluctuations. It is impossible to calculate with any reasonable degree of safety the amount of depreciation in the purchasing value of money which can be regarded as more or less permanent. To attempt to set up a system of wages and prices in a short period may cause serious inflation which would materially affect the competitive position of the Colony. So far the economic margin of production in the Colony has been saved by the increase in the supply of building and raw materials but even now it is difficult to compete with products of Australia, America and Europe. A fixing of wages with the consequent effect on prices generally at too high a permanent basic would be disastrous and make industry in the Colony completely uneconomic. The economics of industry depend upon the close relation of wages and efficiency. There is no question but that the efficiency of labour in the Far East has deteriorated deplorably since pre-war days, and in order to revive and maintain industry there must be either a material reduction of wages or a considerable increase in efficiency. The real solution depends on a combination of both.

The emergence of the Chinese Engineers' Guild in the present strike has in some circles created the impression that the Guild desires to gain for itself as distinct from other Unions and Associations the kudos of achieving a success. The Colonial Office in its anxiety to foster trade

unions on the recognized principles developed in England is no doubt thoroughly aware of the entirely different development, tradition and nature of trade unions in the East and in the West.

Amongst the Chinese the nearest conception of a Trade Union is partly derived from the ancient craft guild, partly from modern ideas of trade unionism and partly from other less reputable kinds of associations of a racketeering type where the jurisdiction of the union over its members is absolute by reason of coercion of the individual which is so characteristic of Chinese associations. The coercion is often exercised through the influence of political pressure. Trade unions such as they are in Hongkong and in China are associations of a mixed nature and history, many being honeycombed with secret anti-dynastic and often revolutionary, triad and tang societies. Traditionally they have been independent of the law and since the decline of the craft guilds have been subject to the influence of racketeers and also to political pressure. Rival groups aim at political power by demagogic success. Hitherto the Chinese Engineers' Guild in spite of its long history, has not been prominent; it is no doubt a guild of repute and its honesty of purpose is not questioned, but its attempt to lead a cross section of the industrial workers runs athwart the divided political and industrial interests not only of its members but also of the workers whose sympathies it seeks to gain.

The solution of a problem such as is now abruptly put to Government and the community require time and patience. A pre-requisite to the fixing of any basic wage is the development of two measuring instruments in order to ascertain the standard of living at which from time to time the population lives and the effect of wages and earning levels on the economy of the community. In normal times these two instruments are a cost of living index and an earnings index. These involve the expenditure of much time and money. A minimum period in normal times would be a year. Moreover a standard of living study conducted in the present abnormal circumstances when consumption is regulated by rationing and when prices are such that normal consumptions are varied would not be of great use. For the present difficulties confronting the Colony it is most essential to have a carefully constructed and scientifically valid retail price index, and a wage study that covers the most important classifications in the most significant industries and occupations.

The Guild and the strikers have been solicitous to maintain peaceful conditions and have refrained from calling out other industrial workers who sympathise with their apparent object of raising the basic pay. At this juncture in the restoration and building up of the Colony's economy it is hoped and there is likelihood that good sense and good citizenship will prevail.

DEVELOPMENT AND PRODUCTION INCREASES IN THE BRITISH COLONIAL EMPIRE

(By A London Correspondent)

Coincident with programmes for Development and Welfare prepared, or in preparation, in every Colonial territory, an overall survey is being undertaken of Colonial post-war production potentials to meet United Kingdom and world needs; machinery is in motion to stimulate production on lines which will eventually raise living standards and improve the economic stability of the territories concerned and the Colonial Empire as a whole.

The Colonial Development and Welfare Act provides money for the improvement of social and other services of the Colonies and helps to provide the basic services for further economic development in the form of improved communication, better agricultural services, water supplies and so on. Funds granted under the Act are helping in the programme of development—and, indeed, have made much of the plans and long-term planning possible. It is now felt that an instrument is also required whereby individual productive projects, likely to increase the wealth of the Colonies themselves, can be undertaken, thus to stimulate the supply of products of which this country and the world at large, stand in need.

COLONIAL DEVELOPMENT CORPORATION

It is therefore proposed to establish a Colonial Development Corporation with total borrowing powers of the order of £100,000,000. This Corporation will operate on Commercial principles. Its object will be to establish or to assist any enterprise in the Colonies which is designed to increase their general productive capacity. While no doubt these enterprises will be mainly agricultural, the Corporation will also be able to undertake any enterprise which serves this general objective.

It is proposed that the Corporation should be given power to conduct enterprises itself or to set up subsidiary organisations to run individual projects or to give assistance to existing enterprises.

In all this the Colonial Governments will be brought into consultation. The Corporation will undertake particular operations in any Colonial territory only with the consent of the Secretary of State and of the Colonial Government concerned, in order to ensure that the activities of the Corporation and of its subsidiaries are conducted in the way best suited to promote the welfare of the Colonial peoples, their operations, it is proposed, shall be carried out in close consultation with Colonial Governments.

While the Government will continue its policy of encouraging public utilities and other suitable forms of public enterprise, it will also welcome private enterprise and investment in the Colonies so long as this is in harmony with the plans of Colonial Governments for social and economic development. There is no question of giving the Corporation any general monopoly in Colonial development. It is meant to supplement and not to supplant, private enterprise.

Legislation is shortly to be introduced to establish this Colonial Development Corporation. It is also proposed that at the same time the legislation shall provide for the establishment of the Corporation which is to take over the project established in East Africa by the Ministry of Food. This will be a separate body from the main Colonial Development Corporation but the two bodies would work in the closest liaison with one another.

This far reaching project follows investigations which have lately been systematised by the formation of an Inter-Departmental Committee under Colonial Office Chairmanship which is studying all the products of which we might yet increase supplies from the Colonies in consultation with the other Departments and experts in this country. Particular attention is being paid to special fields of production in which Development projects would be of particular value at the present time. This follows explicit instructions which were sent out to Colonial Governments in the early part of 1946 when the gravity of the post war food crisis was appreciated. Colonial Governments have been repeatedly urged to do everything possible to increase food supplies both for local consumption and for export. They were asked to keep the Colonial Office advised as to their food production, their food requirements and as to appliances necessary to enable them to expedite their food production programme. Agricultural and other economic expansion has a big place in the ten year development programmes of the respective territories under the Colonial Department and Welfare Act. Many of the schemes are already in operation.

Provision under this Act has been made for a number of centrally controlled schemes aimed at the assistance of economic development including: (a) Comprehensive Organisations for Topographical and Geological Surveys and many research projects. (b) Training of technical staffs.

Provision has also been made for the restoration to full activity of the Imperial College of Tropical Agriculture, which trains Agricultural workers for employment all over the

Colonial Empire. An Agricultural Adviser, an expert Advisory Committee and an Agricultural Research Committee function to urge forward development work over the whole field of agricultural, animal health and forestry.

The steps taken recently by Government to increase production, not only of foodstuffs, but of raw materials in the Colonies are beginning with commodities which are most urgently needed. Promising possibilities of expansion are in such commodities as tobacco in Central Africa, rice in Sierra Leone and Borneo, timber in a number of the Colonies and manila hemp in Borneo.

Where Departmental examination suggests *prima facie* a possibility of expansion, special enquiries are instituted in the Colonies and expert missions are despatched to them. The mission that went to East Africa in 1946 resulted in the East African Ground-nut Scheme by which it is planned to produce some 600,000 tons of Groundnuts a year from the mechanised cultivation of some 3½ million acres of unoccupied land. Following this, another mission was sent in the summer of 1947 to look into the possibilities of Ground-nut production in West Africa. Other experts are now looking into the development of coal production in Nigeria and in Borneo, and another special mission is to examine the possibilities of rice production in Borneo.

Room For Private Enterprise

Hand in hand with Government sponsored schemes of development and for increased production, private enterprise is being encouraged to go ahead within the scope of the various development programmes referred to above with new projects where Government enterprise alone is difficult. New factories are being put up by British undertakings, such as meat factories in East Africa, sugar factories in the West Indies and factories for the processing locally of commodities which before the war were sent out of the territories concerned for processing in the United Kingdom and elsewhere. The Colonial Office through Colonial Governments is facilitating these enterprises where necessary by such methods as expanding transport and stock facilities in giving priorities for machinery and equipment and in some cases by giving financial aid. In the mining sphere several new concessions on carefully regulated lines have been made to Mining Companies to prospect and develop in areas where Government organisation cannot for some time be created. For example, there are promising prospects with regard to the development of lead and coal in Tanganyika. In addition to the East African Ground-nut undertaking which is already under way, the Nigerian Government has organised a Government Corporation under local Legislation to carry out the development of large ex-German estates in the Cameroons for the production of bananas and other crops. The

Nigerian Government has, of course, for many years operated the coal-mines in that country.

Certain Colonies have had special rehabilitation problems. In Malaya the Government have given very extensive financial and other assistance to the tin, palm oil and rubber industries. In Mauritius and Trinidad His Majesty's Government have made special grants to assist in the recovery of the sugar industry which had lost ground during the war owing to the diversion of labour, either for the growth of local foodstuffs or to work on military bases. Substantial grants or loans have also been made by the Treasury to the recovery from hurricane damage in the case of Jamaican bananas and Mauritius sugar.

Scientific Research

Scientific Research is playing an important part in planning for future production. Research is progressing into the diseases which for example, are afflicting West Africa's cocoa: into the general problems of sugar production in the West Indies, and into cotton production. It has just been agreed with the Empire Cotton Growing Corporation that a Cotton Research Station should be set up in Uganda to be financed jointly by the Corporation, by Colonial Development and Welfare funds and by the African Governments concerned. In many Colonies Experimental Stations and Demonstration Farms have been increased.

In questions involving production and export of commodities, problems as to storage and transport of the commodities and the dangers of pest infestation arise. Yet another factor in encouraging the maximum output of Colonial commodities is the stabilisation of market conditions so as to give the producer a firm assurance for the future. There are big schemes under consideration to arrest erosion, to secure fertilisers, to improve irrigation and to conserve water, to improve animal husbandry and agricultural methods and to develop co-operative practices.

Significant Figures

In connection with the Colonial ten year Development Programmes devised in each Colony and examined by experts in the Colonial Office it is interesting to note the economic development and increases in Colonial production which they propose. With regard to economic development, in Kenya provision has been made for a large number of local schemes for the prevention of soil erosion, for irrigation and for settlement involving an expenditure of some £4,500,000; in Nigeria provision has been made for the expansion of the Agricultural, Veterinary and Forestry Departments at a total cost of £3,230,000, and in Jamaica provision has been made for the expansion of Agricultural Advisory Services and other features of the Agricultural Department at a cost of £1,378,000 over the next ten years.

BRITAIN AND THE INDEPENDENCE OF INDIA

(By a Correspondent)

THE BACKGROUND

Just over a hundred years ago Sir Henry Lawrence, one of the great Englishmen who have served India, wrote: "We cannot expect to hold India forever. Let us so conduct ourselves that when the connection ceases it may do so, not with convulsion, but with mutual esteem and affection and England may then have in India a noble ally, enlightened and brought into scale of the nations under her guidance and fostering care."

On August 15, the Dominions of India and Pakistan have become full members of the British Commonwealth, free to continue or leave it for independent existence outside. Britain has so conducted herself that the change over has been affected "without convulsions and with mutual esteem". The Indian Independence Act of 1947 is the historic document which gives statutory effect to setting up the two Dominions, is the last of a long series of legislative enactments which marked the progress in India towards full self-government.

It is nearly three hundred and fifty years since Queen Elizabeth gave the Royal Charter to merchant adventurers who formed the East India Company. Their object was peaceful trading, and traders they were for nearly a century and a half. But the Portuguese, Dutch and French were there too and while it is probable that the British would have become involved in the internal affairs in India after the breakup of the Mogul Empire, they were forced into them by the fact that, Britain and France were repeatedly at war in Europe. War in Europe meant war in India.

French and British companies began to align themselves with this or with that party in the Indian conflict, not to fight the Indians but to fight each other. The French were finally defeated, and at the end of the conflict the East India Company found itself no longer just a trading company, but rulers of vast territories, and in conflict with the great Indian Princes who had divided up the heritage of the Moguls. The process of expansion and consolidation continued for many years and by the beginning of the nineteenth century the Company held sovereignty over almost the whole of India,

In 1757 when Clive's victory at Plassey had made the Company master of the great province of Bengal, British public opinion began to view with concern the transition of

the Company from trading to kingship with all the responsibilities for administration and good government that this implied.

Parliament appointed committees to examine Indian affairs and in 1773 a form of British Government was set up with Warren Hastings as the first Governor of Bengal. A Board of Control was set up in London to supervise the Company's political activities. Gradually the Company virtually ceased to be a trading concern.

The Act of 1813 deprived it of most of its monopoly of eastern trade. In 1833 its remaining privileges were taken away and it was required to close down its commercial activities. In 1858 after the Mutiny of the Bengal Army, Queen Victoria announced that the Crown would assume direct charge of the Government of India and Lord Stanley became the First Secretary of State.

In 1861 Indians were nominated to membership of the Legislative Councils of the Viceroy and the Governors of Bombay and Madras. Three years later the first Indian was admitted to the Civil Service. In 1909 (Morley-Minto reforms) official majorities on provincial councils disappeared and members were largely non-officials chosen by public bodies. Indians became members of the Viceroy's and Provincial Governor's executive councils.

The system of communal election was followed in Legislative Councils as it had already been in elections. District Boards and Municipalities Muslim members were being chosen by votes of their own community. The principle of a communal electorate was confirmed by the Congress Party and the Muslim League. These political parties had been formed comparatively recently, Congress in 1885 and by the League in 1906, but henceforth they were to play a prominent part in the agitation on self-government.

In 1917 it was announced that there would be an increasing association of Indians in every branch of administration and gradual development of self-government in the provinces with a view to progressive realisation of a responsible Government in India as an integral part of the Empire.

This declaration was implemented by the Government of India Act in 1919 (Montagu-Chelmsford reforms). The Act provided that Provincial Governments should each consist of two parties, one of officials, and the other of non-officials chosen from, and responsible to, the elected majority. The official members of Executive Councils were made responsible for finance and law and order. The non-official members—ministers—were responsible for education, agriculture, public health and local government etc. The two groups of subjects were called reserved and transferred and the system was known as dyarchy.

Great changes, too, were made, in Central Government. The nominated Legislative Council was transformed into a bicameral legislature, a Council of State and a Legislative Assembly, both with elected majorities. But the Governor-General and his Executive Council continued to be responsible to the Secretary of State and therefore to the British Parliament.

This Act remained in force for sixteen years. It was opposed by Congress under the leadership of Mr Gandhi who declared for independence and led several non-co-operation campaigns against the Government. But it worked. Indian Ministers gained valuable experience in administration and demonstrated the ability of Indians to govern themselves.

TWELVE YEARS OF NATION MAKING

In 1935, after a Royal Commission (Simon Commission) and three round table conferences another act set India far along the road to complete self-government. Provinces became completely autonomous. Their internal affairs, including finance, law and order were in the hands of the Indian Prime Minister and his Cabinet, who were members of, and responsible to, the legislature. In the centre there was to be the Federal Government and Parliament in which for the first time both British, Indian and Indian States could be represented. The rest of the Act came into force in 1937, but the Federal System never functioned because the states never came in. The Congress party successfully contested the elections and took office in eight of the eleven Provinces. In the remaining three, coalition ministers took office aided by the Muslim Prime Ministers.

When Britain went to war the Congress refused to co-operate in the war effort, unless the British Government would agree to an immediate conference to draft a new Constitution and would agree to abide by its decisions. Involved as they were in the European War the British Government were unable to accept this proposal. But they authorised the Viceroy to reaffirm the offer of a dominion status and to offer a revision of the 1935 Act, when peace was assured. Meanwhile they proposed that the Viceroy's Executive Council be enlarged by the inclusion of Indian political leaders. Congress rejected this, but the Executive Council was expanded to include five eminent Indians.

In March 1942 Mr Churchill's War Cabinet sent Sir Stafford Cripps with certain proposals. They were based on an offer of August 1940 and they embodied two main principles. The first was that no limit was to be set to India's freedom to decide her own destiny, whether as a free partner within the British Commonwealth or without it. Secondly that this could only be achieved by a constitu-

tion framed by the Indians with a proviso that any province not prepared to accept the new constitution could retain its existing position. This proviso was necessary because of the Muslim League demand that the Muslim majority areas should be formed separately.

Sir Stafford Cripps' offer was rejected by all parties and despite the efforts of Lord Wavell, the Viceroy, to end the political deadlock at the cessation of hostilities India's problem was still unsolved. It was decided to hold fresh elections and thereafter have a preparatory discussion with India, with a view to setting up a constitution-making body. The elections gave sweeping majorities to the Congress and to the Muslim League, in their respective strongholds. The stage was set for settlement.

In February 1946 Mr Attlee, sent a Cabinet mission out to debate any outstanding questions with the Indian leaders, Sir Stafford Cripps, Lord Pethick Lawrence and Mr. Alexander arrived with a clear mandate to transfer power into Indian hands. It was for the Indian leaders to find out among themselves whether such an agreement would enable power to be safely and immediately transferred for a lasting peace and prosperity in India.

Again no agreement could be reached. The difference between the Indian parties was whether India should remain united or not, so another plan was put forward. Briefly it provided for a constituent assembly to be elected by provincial legislatures in a ratio of one representative for every million. States were to send in representatives in the same proportion and an assembly was to decide the future constitution. An interim government was to be set up at the centre, composed of the political leaders of the main communities.

Unfortunately differences between Indian parties prevented the constituent assembly from functioning as a fully representative body. The British Government, therefore, since the uncertainty was fraught with danger and could not be indefinitely prolonged, made clear their intention to take the necessary steps to effect the transference to responsible Indian hands not later than June 1948.

The British Government were determined that matters should not be allowed to drag. Lord Mountbatten succeeded Lord Wavell and initiated further discussions with the Indian leaders. These were outlined in a statement of June 3 which embodied the final plans for the settlement of the Indian problem. Partition was decided upon and the boundaries of the two areas defined. Two constituent assemblies were to be set up to decide the future constitution of each. Meanwhile the British Government introduced legislation at once for the transfer of power on a dominion status basis to the two successor authorities.

THE ECONOMIC REALITIES OF THE STRUGGLE IN THE NETHERLANDS INDIES

The Netherlands-Indonesian Union, as outlined by the Linggadjadi Agreement signed between the Netherlands Government and the Republic of Indonesia, is an ingenious pyramidal structure intended to unite the 70 million people of the 3,000-odd islands of the Indonesian Archipelago and eight million people of Holland in a new federal constitution under the Dutch Crown. This federation will consist of two units: the Kingdom of the Netherlands (comprising the Dutch West Indies) and the United States of Indonesia, whose components may in turn be also smaller federations. So far the USI consists of two equal members: the Republic of Indonesia based on Jogjakarta, the royal and ancient capital of Java, which was proclaimed by President Soekarno on August 17, 1945; and East Indonesia, with its capital at Macassar in Celebes, established by decree of the Lieutenant-Governor General, Dr. H. J. Van Mook, in December, 1946.

Divisions & Sub-Divisions

By the Linggadjadi Agreement the Republic of Indonesia has now been recognised by the Dutch as exercising *de facto* authority over Java, Sumatra and Madura; while East Indonesia comprises the islands of Celebes, the Moluccas and the Sundas. In Dutch Borneo two states have come into existence: West Borneo based on Pontianak, and Great Siak, comprising South and East Borneo, based presumably on Banjarmasin. These may either federate into a single State of Borneo which then in turn may join East Indonesia or they may apply for direct affiliation to the USI. But the Minahassa in North Celebes, Ambon in the Moluccas and Dutch Timor in the Sundas have petitioned Queen Wilhelmina for self-government within the

Accordingly the Indian Independence Act was passed last month. It sets up as from August 15 two independent dominions to be known as India and Pakistan, and provides for the division of the assets and liabilities of the Army, Navy and Air Force, the form of Government to be followed during the transition period etc.

So less than a hundred years after the British Crown assumed the responsibility for the Government of India, the British Crown hands it back to the people of India, to two great dominions, India with its population of two hundred and twenty-seven millions, and Pakistan with its sixty-nine millions. Pakistan includes the former Provinces of Sind, Northwest Frontier, West Punjab, Eastern Bengal, Sylhet and British Baluchistan. India consists of the Provinces of Bombay, Madras, Central Provinces, United Provinces, Assam, Bihar, Orissa, Western Bengal, and Eastern Punjab.

framework of the Kingdom of the Netherlands, as they are unwilling to join either the Republic or East Indonesia. The Menadonese in the Minahassa and the Ambonese are mainly Christian communities and hitherto provided the Dutch with the bulk of their native army. These facts have to some extent estranged them from other Indonesians, whose dominion they fear on account of possible reprisals. Dutch New Guinea will in any case probably remain under the direct administration of the Crown owing to its political and economic backwardness.

Dutch Demands

Since the Linggadjadi Agreement, Netherlands - Republican negotiations have been concerned with the formation of an Interim Government to administer the whole area from now until the USI comes into being on January 1, 1949. Directly it was signed the Dutch, still confined to the occupation of bridgeheads in the Republican area (Medan Sabang and Palembang in Sumatra; Batavia, Surabaya, Semarang and Bandoeng in Java) began to press the Republic to start putting it into force at once. On May 27th the Dutch Commission-General issued what really amounted to an ultimatum, that the Republic should at once take part in establishing a single currency; joint boards for the control of imports, exports and foreign exchange; and military co-operation to terminate the hostilities which still take place on the perimeter of the Dutch bridgeheads. Thus when at last a political agreement seemed to have been reached, a new breakdown threatened on the economic and military issues.

Capitalism & Socialism

What the Dutch allege to be recalcitrance on the part of the Republic is more easily understood when set against the under-lying issues which are seldom formulated by either party. Before the war the entire economic life of the Indies was a capitalist economy under the Dutch. In particular, they controlled—apart from the staffing of the administrative services—shipping between the islands, a huge industry of which the bulk is in the hands of the K.P.M. shipping line; and the profits on all exports. Now the Republic has declared for a Socialist economy in which all these activities would be nationalised. If it should succeed in cutting the Dutch monopoly of these three sources of profit, it has been calculated that the present standard of living in Holland would fall by 30 to 35 per cent. Under the present system the world prices of rubber, for example, are dictated by capitalist concerns in New York, London and Amsterdam, over which the Indonesian has no control whatever. In common with all other Asiatic countries, the Republic now demands an increase in internal wages and a major share in

the profits on its own exports. So the fundamental issue behind the current negotiations is a new expression of the world-wide struggle between the forces of private enterprise and state Socialism.

End of the Old System

Ostensibly the present disagreements turn on the structure of the joint Interim Government. Is this to be, as the Dutch propose, merely a "reconstruction of the Netherlands Indies Government as a central apparatus of the future Federation" with the incorporation of a larger proportion of Indonesians as the only major difference from pre-war days? Or is it to be, as the Republic desires, not merely a new form of government, but a government harnessed to a new purpose and embodying at least some Republican institutions? Before agreeing to co-operate in forming joint economic controls, the Republic wants some guarantee that Indonesian representatives will not become mere stool-pigeons, manning and financing a system it is their declared purpose to destroy.

In conformity with Linggadjadi, it has so far been agreed that the head of the Interim Government will be a representative of the Netherlands Crown which, during the transitional period, remains sovereign over the whole area; that external relations will be conducted by a joint federal foreign service; and that all property in Republican territory will be unconditionally restored to its legal owners. The last two points represent concessions by the new Prime Minister, Amir Shariuddin. He, though a Christian and educated in Europe, stands on the left of the Socialist party, and is likely to prove less conciliatory than his predecessor. The Republic is adamant in refusing to admit Dutch personnel to the internal police force in Java and Sumatra. Considering the narrow interpretation which the Dutch formerly placed upon civil and political liberty, and their rigid repression of the Republican movement in South Celebes since liberation, Republican intransigence on this point is hardly surprising.

Despite the adoption of an embryonic constitution, the political situation everywhere in Indonesia is still very fluid. Within the Republic there have been signs of separatist movements among the Sundanese in West Java and the Batak in Sumatra. In some non-Republican areas, where the Dutch retain strong influence, though not their old power, there is strong nationalist support for the Republic, especially in politically volcanic South Celebes and in Bali. Though the Republic still aspires ultimately to absorb the rest of Indonesia within its own unitary and socialist constitution, it has now officially "recognised" its rival state of East Indonesia. Possibly Jogjakarta reckons that the East Indonesian Parliament, which opened at Macassar on April 22nd, is too virile to remain long in Dutch leading-strings, and that sooner or later the Republican heaven will "out." The Prime Minister of East Indonesia, Najmoeddin Daeng

REAL ESTATE MARKET REPORTS

During the current year building activity was influenced by the high cost of labour and materials which caused deferment of many plans, particularly for large-scale projects because it has become plain that buyers cannot or will not pay the prices asked. Only a relative handful of Chinese emigres, with great accumulations of wealth, have entirely disregarded the question of price. Speculative building was hardly noticeable except in smaller projects.

Reductions in housing costs depend primarily on lower labour costs and, to a lesser degree, on lower prices for materials. The low output of labour has been noticed with anxiety and this has been contrasted by strong advances in wages which are out of proportion compared to prewar times. The fact is that building workers, instead of expanding output through increasing productivity, turn out considerably less work than before the war.

Mayewa, the "prau king" of Macassar, who, as a potential tammany boss, is perhaps the most significant Indonesian politician, recently declared that "East Indonesia stands for planned economy and social justice."

America Steps In

The overriding concern of the Dutch and of the outer world, especially America, is to re-start international trade in the products of Java and Sumatra. As Mr. Bevin emphasised at Margate, "were the NEI at peace the fat rationing difficulties of the world would, in twelve months, be solved;" though he omitted to add that in July, 1945, Britain had to reject an offer of 10,000 tons of copra because it was unable to supply the textiles in which half-payment was required. The USA is making Indonesia a new theatre of dollar diplomacy. When Linggadati was signed a reconstruction loan of \$300 million was proposed, and in the recent crisis the US Government has been bringing pressure on both parties to implement Linggadati by forming an Interim Government as "a pre-requisite to rehabilitation"—in other words: No Interim Government, no American loan. This sense of urgency is not shared by the Republicans, as their food situation is adequate and Java's rice surplus is being exported to India in exchange for the all-important textiles. Though fully alive to the need of foreign development loans to buttress their newly won political independence with economic stability, the Republic has no intention of purchasing economic reconstruction at the price of that independence. In this connection it is noteworthy that Prime Minister Najamoddin has expressly opposed the acceptance of American loans, though desirous of loans from Holland and other small countries.

Building materials prices now seem to have reached a peak, and improved supplies help lower costs. Thus normal influences are tending to bring the ideas of construction companies and the public more in line. Buyers have assumed control of the construction market to a large extent. Unless excessive housing costs are lowered by the cooperation and harder work of all concerned, they will be lowered by the route—less agreeable both for the building trades and for the community as a whole—of unemployment and depression.

Wage rates are not likely to be reduced, but other elements of cost are less inflexible. Buyers' resistance and increases in supply both operate to lower materials prices, and the possibilities of raising efficiency on the job, as the flow of material improves, are great. The need for housing is unquestionably enormous. Cost declines will uncover new demand.

Buyers on their part are wrong to expect that by waiting they may soon be able to buy houses at pre-war cost again. Wages and salaries are also costs, and people cannot enjoy postwar wage rates and incomes and at the same time expect to buy at prewar levels.

Billionaire Refugees in Hongkong

The influx of wealthy Chinese refugees from North China has artificially boosted prices for Crown land, partly demolished or looted structures on the Peak, Repulse Bay area, and other scenic spots on the Island. Most Europeans and local Chinese residents could not afford to compete with these billionaire refugees and as a consequence many choice houses and sites have recently been occupied by the immigrants.

Recent Crown land auctions brought the following results:—a site near Deep Water Bay \$4 per square foot; a site near Wongneichong over \$31, against an upset price of \$5 (the lot comprised 2,600 sq. feet, the annual rental is \$120, and \$80,000 have to be spent within 18 months in rateable improvements); a Crown land near Kowloon City was sold at \$2 per sq. foot, against an upset price of only 10 cents; the area comprises 13,000 sq. feet, the annual rental is \$478, and \$300,000 have to be spent within 30 months in rateable improvements, furthermore the buyer has to level at his expense about 2,000 sq. feet of surrounding hillside. The land is leased for 75 years with the usual option of renewal for another 75 years at a readjusted rental.

In all cases Government's upset price is many times exceeded by the Chinese bidders. Europeans usually do not turn up at auctions and there is much dissatisfaction voiced among them regarding the inability to ac-

quire Crown land at a reasonable price. The financially potent Chinese bidders have, for speculative reasons or for the purpose of building homes or business premises, succeeded to upset the upset prices, a development which the Treasury should welcome but which, on the other hand, tends to keep the high cost of living on the up and up.

Real Estate Transactions

Real estate transactions in Hongkong are gradually and steadily becoming one of the speculation mediums. Unlike in prewar days when people bought land for building purposes and as a permanent or long-range investment, most postwar land purchasers turn to real estate as a speculative counter.

An average of 30 land transactions are registered daily with the Land Office. The record per day in July was 45 transactions, half of which were mortgages. Average mortgage interests are now 12 to 15 percent, but sometimes run as high as 24 percent per year. This situation is attributed chiefly to the large accumulation of Chinese capital in Hongkong, coming especially from Shanghai and Canton, and also to the recent depression in import-export business in the Colony which was directly brought about by the rigid Chinese Government trade controls. It has been very evident recently that many reputable and long standing Chinese import-export firms turn to real estate business since they find it difficult and unprofitable to continue large shipments of commercial cargoes into and out of the Colony in face of Chinese trade regulations.

As more people are turning to real estate transactions the demand for land has affected prices. At a few recent public auctions of Crown land bidders were keen and the prices at which the buyers ended up were as high as six to eight times over the prewar costs. On the average, however, land prices today are four times higher than in the earlier part of 1941.

Because of the high prices of land plus a three to four hundred percent hike in construction costs against prewar days, most construction companies are reluctant to build tenement houses or office buildings for letting purposes; new residence and staff quarters were, however, built in a rather large number.

The costs of building materials imported from abroad are not unreasonable but today's wages in the building trade are about 10 times of the earnings in 1941. In addition, local transportation costs are much higher than in prewar days and locally manufactured bricks are very expensive owing to high cost of coal; ocean freight rates to be paid for imported building materials are about 3 to 4 times higher.

A great number of carpenters, masons and other building workers are unskilled. Although they are

inefficient and untrained many claim to be carpenters or masons since they can hardly find suitable jobs in other fields owing to the increasing unemployment. As a result, whatever they turn out has been found many times waste. This type of waste of labour and materials additionally burdens the high cost of building.

Many leading architects have been trying to persuade the authorities to relax the prewar and still enforced building regulations under which costs of construction are bound to be heavy. They have already formulated proposals which are now under consideration by building authorities. There will probably be introduced changes in the Building Ordinance which may soon come before Legislative Council for adoption, thus enabling architects to blueprint new buildings at lower cost.

New Office Constructions

The Hongkong Land Investment & Agency Co. Ltd., the largest office building owner and most progressive land company in the Colony, will soon start the construction of a block of modern office buildings on the site at present occupied by the St. Francis Hotel and an office building at the corner of Icehouse Street and Queen's Road. The company had to delay the start of this and other constructions owing to the continued high cost of building but the very pressing needs here for more office premises have undoubtedly induced quicker action.

Most modern business men look to the H.K. Land Investment Co. to take the lead and relieve partly the shortage in office accommodation. The plans of the company are very ambitious and include the eventual rebuilding of many large buildings in the centre of the city. While there is much profiteering going on in rents, and key money is constantly extorted by many local land companies, the H.K. Land Investment Co. has been the most benevolent landlord charging such low rentals as no other company in the Colony.

The new office building will consist of a ground floor and basement—with strong-rooms suitable for the storage of securities—and mezzanine floor, above which will be eight floors of offices for general renting purposes. The office floors will be served by five passenger lifts and two service lifts. Provision has been made for bullion lifts between the basement and the ground and mezzanine floors. The ground and mezzanine floors, together with the basement, have been designed for the use of four banks. The space available for office use on the eight floors above covers an area of 90,000 square feet, exclusive of corridors and lavatories.

The building will be constructed of reinforced concrete with brick panel walls. The walls may be

REHABILITATION OF BUILDING

Of all Far Eastern cities Hongkong has experienced the fastest progress in the construction of new buildings and the reinstatement and repairs of damaged houses. There is much dissatisfaction nevertheless among the public who do not appreciate the difficulty of large-scale repairs.

The large influx of people from the North has aggravated the housing situation and there is no denying the fact that suitable residential and office premises are practically unobtainable. However, the reconstructions carried out in various sections of the Colony and the numerous rehabilitation plans now being realised will ease to some extent the very pressing housing problem. The less reasonable type of local resident has, as is the custom nowadays, levelled all his criticism at the government as if this were a community no longer devoted to the ideals and practice of free enterprise.

Some very hectic comments have appeared in the local press and invariably government was accused for not having taken the initiative in providing quarters for the increasing stream of returning and prospective residents. The peace and order pre-

vailing in this British Colony has naturally induced a very large number of Chinese as well as a few thousand Europeans to leave less peaceful and orderly shores and set up their new homes and businesses in Hongkong. One of the unpleasant consequences was the necessity of providing accommodation for the immigrants. That rather much has been achieved by private builders is obvious when strolling through several parts of the Island and Kowloon, e.g. the Peak area, Wanchai, eastern Tsimshatsui, Kowloon Tong and Tsai, etc.

In our issue of Jan. 29, page 60, the number of government approved plans for reinstatement and repair of buildings, and new constructions, for the period May 1 to Dec. 31, 1946 was published. In the following all relative statistics for the first seven months of 1947 are given. The Building Authority (Building Ordinance Office) has issued during January to June 1947 a total of 1,775 approvals for repairs and rehabilitation of no less than 2,834 houses. During July, as will be seen from the figures below, approvals of plans sent in by contractors or owners of houses have been issued for a total of 478 houses.

Repairs and Rehabilitation of Houses Domestic Occupation Permits issued.

1947	Plans deposited for Houses		Approvals issued for Houses		European Houses		Chinese Houses		Non-Domestic Permits Issued	
	Plans	Houses	Approvals	Houses	Houses	Houses	Houses	Houses	Permits	Issued
January	180	267	243	380	2	4	8			
February	183	282	203	308	2	15	6			
March	194	291	262	413	4	5	7			
April	232	319	225	325	3	11	4			
May	279	389	323	490	3	8	4			
June	265	325	225	340	3	26	5			
July	314	416	294	478	1	17	3			
Total	1647	2289	1775	2834	18	66	37			

finished in ceramic facing. The roof will be flat, and all windows will have continuous canopies for protection against sunlight. The building will have no verandas.

Progress on the three additional storeys constructed on Marina House has been fast and new tenants expected to move into the modern premises sometime in October.

In order to relieve both the living and office accommodation the Gloucester Hotel, owned by the Land Investment Co., is undergoing changes. They involve the conversion of the establishment into residential apartments, and offices. The Harbour and Cocktail bars and the ballroom and public restaurant will disappear from the eighth floor which is transformed into rooms for residents. English-style food and cooking will be provided in the residents' dining room.

The first floor of the Hotel will be converted into offices, similar to those on the second floor. The proposed alterations will be completed by September.

The Victory House, a large office building owned by Sir Robert Ho Tung, is expected to be ready by the end of October. The location, in Wyndham Street, recommends itself particularly to shops many of which already have signed contracts with the management. Rents are of course not controlled since Victory House is a new building. Shops on the ground floor are expected to pay about \$2.50 to 3 per sq. foot.

High Cost of Land & Premises

Land values in the centre of the business district are estimated at between \$150 to 250 per square foot. Recent transactions showed the fol-

lowing: The Bank of China purchased the site next to the Hongkong & Shanghai Banking Corp. for \$250 per sq. foot; the Sharebrokers Building in Ice House Street was sold at \$250 per sq. foot (see our issue of July 16, page 181), a price which was considered by the sellers as unexpectedly good and by the buyers as something like a bargain. On the other hand the site of the old Masonic Hall changed hands at only \$53 per sq. foot (see our issue of April 30, page 203).

Some estimates for office buildings in the business district however, take into consideration the ground floors which can be sold against "key money" to banks; and otherwise the calculation of "extraordinary" income from renting out of office premises appears to have an important bearing on the question of price.

In this connection it was reported in the market that the Central Trust of China has bought the ground floor of Pedder Building (owned by Mr Ng Wah) for \$250,000, and further agreed to a very large monthly rental.

The Central Trust has not yet started business here but will soon equip the spacious office and take an active part in trade between Hongkong and China. The report that Central Trust rented or bought the Pedder Building premises led to rumours about the monopolising trade schemes evolved by this Chinese Govt organisation, and many traders are apprehensive fearing that much private business with China will be channelled through Central Trust.

Key or Tea Money

The practice of demanding and paying key or tea money has increased here in spite of its illegality. The shortage of living, office and shop accommodations is exploited by those who own or control suitable premises. Little if any action can be taken as long as the victims of this racket do not come into the open; although the key money extortion is known under this or other names all over the world it is hardly so openly practised even in Shanghai. Foreign observers may even come to the conclusion that key money requests are perfectly legal in the Colony.

There is much new building being planned or under construction in the eastern part of the Island. One of the larger projects is the erection of six 4-storey buildings in Wanchai. These new tenement houses are expected to be completed by the end of November. They will replace the former godowns of Imperial Chemical Industries in Wanchai which are now in process of demolition. The area comprises some 17,000 square feet. The site was recently purchased by the Sui Cheng International Trading Company for \$522,000.

The main buildings will occupy an area of 10,000 square feet and the remaining 7,000 square feet will be used

INDUSTRIAL REPORTS

During July conditions in most industrial establishments here improved and a number of factories reported full time operation. There seems to be much inquiry for local products coming from neighbouring countries but also from prospective European and U.S. buyers.

The greatest obstacles for further progress remain the high cost of labour and the inefficiency of local workers, two factors which militate against large-scale expansion of industrial activity in the Colony. It is therefore imperative that the local high cost of living be reduced and this matter should no longer be postponed by long winded conferences and research committees. The supply of cheap rice and daily necessities to the labouring classes is the crux of the problem; if no quick change can be achieved by government importation of cheap rice etc., the local high cost of labour will smother Hongkong's otherwise good prospects for industrial rehabilitation and its advance into new export markets. That the inefficiency of local workers is gradually improving is some consolation but the process will necessarily be a slow one.

The total labour force employed here by the end of June in government registered factories and workshops was 50,290, of which number there were 38,140 men and 20,150 women. In unregistered workshops and such industrial establishments which are exempt from registration an estimated industrial labour force of over 10,000 was employed as at June 30, 1947.

The total number of factories and workshops registered here as at July 31, 1947 was 754. During July 50 new factories have been issued certificates of registration. The number of applications for registration as a factory or workshop with the Labour Office of H.K. Govt. totalled by July 31, 1947 no less than 1,121, of which 269 were applications of factories situated in Hongkong and 852 in Kowloon. During July 45 new applications were handed in to Govt, 5 factories on Hongkong Island and 45 factories in Kowloon.

The newly registered factories include the following: 4 metal ware factories, 1 tooth brush factory, 3 electric plating, 3 steam laundries, 4 dyeing mills, 1 distillery, 11 weaving mills, 3 saw mills, 1 paper goods manufacturing plant, 1 cassia sorting factory, 3 engineering plants, 2 perfumery factories,

for the erection of two godowns at the rear.

Of the six buildings to be erected two of the ground floors will be occupied by the Sui Cheng International Trading Company as showrooms for their goods. The upper floors will be used either for offices or flats.

3 knitting mills, 1 glassware factory, 1 fur processing, 1 silver refining, 1 foundry and 1 electric bulb factory.

The rubber shoes industry reports very unequal developments; the smaller plants, usually operating in one or two tenement floors, have very little to do, the medium sized factories have some orders on hand. The large factories however, have secured a number of orders which keep them busy and they are working now at full time (one shift).

The weaving mills' experience shows similar conditions, with the smaller plants—registered or unregistered—having more leisure than work and the larger mills being very well provided with especially Malayan orders (cotton sarongs) and other jobs.

Business in the electric hand torch factories has improved during July; the largest factory is now turning out 75% of its pre-war output. Smaller factories also found that demand is picking up for their product.

The following industries groups here enjoy full time operation: dyeing factories, hat makers, foundries, hurricane lamp factories, cement works, button factories and the paint & varnish factories.

COTTON MILLS IN HONGKONG

For the first time in her century-old history Hongkong will have a cotton mill which will be in operation by the end of October. Promoted and financed by a group of 10 Shanghai textile merchants the cotton mill of the South China Textile Co. Ltd. is situated at the junction of Tam Kung and Matauwei Roads in Kowloon with its business offices in the National Commercial Bank Building.

The company has a paid-up capital of \$1,000,000 and was registered as a limited company in Hongkong in November 1946 with Messrs Lee Chen-che, Lee Yao-cheong and Wong Sze-sheong as members of the Board of Directors.

Occupying a site of 45,000 square feet the building of the cotton mill, formerly owned by a weaving factory, is now being repaired and machinery has been installed. The mill is scheduled to start operation not later than by the beginning of November, and will employ 200 male and female workers at its initial stage. The major portion of its machinery, all ordered from the United States with the exception of some small parts brought here from Shanghai, have already arrived in the Colony. The remainder will be unloaded here in September.

There will be three sections in the mill, the picking department, the roving department and the spinning department. The picking department will have one hopper bale breaker,

two hopper feeders, two Crighton openers, one porcupine opener, and one-process picking machine; the roving department machinery will comprise three drawing frame machines, 14 carding machines, two slubbing frames and six high draft intermediate machines, while the spinning department will be equipped with 16 ring frames, 12 double reeling machines and two winding machines.

With a total of 5,000 spindles to start with the mill's estimated daily production capacity will be 12 bales (400 pounds each) of 20's of cotton yarn. Its output will be set aside mainly for the consumption of local weaving and knitting factories.

Executive officials of the mill told the Far Eastern Economic Review that they were uncertain about the suitability of Hongkong's dampy climate for a cotton textile industry. Should the climate prove to be satisfactory for textile production, the factory is prepared to double the number of its spindles, the capacity of its daily output and the number of its workers in the coming year. Recently, the factory's already installed machinery went into experimental operation and the outcome was quite satisfactory. When its production capacity is doubled the mill is also prepared to establish a weaving and knitting factory.

The mill is expected to meet some difficult problems in the initial stage as there are no skilled cotton textile labourers in Hongkong. The factory has to employ unskilled workers in the Colony and to train them. It is not the mill's policy to engage and bring down skilled labourers from Shanghai.

The new mill will face keen competition from Japanese textiles and from the imports of the China Textile Industrial Corporation.

The mill is, however, quite confident to produce cotton yarn at cheaper prices than prevailing on the market at present which should benefit all weaving and knitting factories here. Most supply of raw cotton will come from India, the local market price of first grade being \$1.80 per pound. It takes 450 pounds of raw cotton to produce one bale of 400-pound 20's cotton yarn, which works out at \$650 cost price per bale excluding labour and running expenses. The market price of cotton yarn of 20 counts varies between \$1,500 and \$1,700 per bale.

Another cotton mill of a smaller scale is being promoted and organized by a different group of Shanghai textile merchants in Hongkong. The promoters have already bought or leased a site belonging to the Hongkong Engineering Factory in Hungnam. This mill will not be able to start operation before the end of the year since no machinery has yet arrived in the Colony.

CASTLE PEAK CERAMIC CO.

The only and the oldest factory of its kind in Hongkong established over 20 years, and re-organized in 1940, the Company is known for the following manufactures: mosaic tiles, 6+6 tiles, glazed tiles, firebricks, fire clay, red bricks, hollow blocks. At present the production is slow (pre-war there were employed 700-800 workers, now only 100) which is due to a slack demand and difficulty of obtaining raw materials, mainly kaolin (available locally) and glaze (from England). Output for last year was 2,000-3,000 yards.

The Company has some complaint against Government: kaolin is not obtainable in sufficient quantities here since Government began exporting to Japan; furthermore the price has been raised several times. Allocations of coal are not quite sufficient.

Local demand has been rather poor because construction progresses very slowly. Manila, Singapore are good markets. Prices can be regarded as competitive overseas, although they are 5-6 times over pre-war; the local product is superior to Australian and Spanish ones. Prospects of the industry are bright, but lack of raw materials may impede the increase of output.

NEW ASIATIC CHEMICAL WORKS LTD.

The company is an old and well established concern, with branches in the main cities of China and also overseas: Bangkok, Siam, Manila, Singapore. The company are manufacturers of native and foreign medicines. Local business has not been satisfactory. Production and markets overseas were shattered by political events. Hongkong production has suffered because of foreign competition. The Shanghai factory has been doing not so badly because domestic market was rather good, but exports are impossible.

Hongkong factory employed before the war some 150 now only 30 labourers.

Certain medicines are manufactured from imported raw products which lowers production cost. Before the war, when Chinese labour was cheaper than foreign, this opened even foreign markets, but now they remain cut off.

Until labour cost comes down, prospects are very dull. The Manufacturers' Union investigated recently the rice problem, and found out that Government chartered ships could import Siam rice at \$20 per picul cff Hongkong as compared to \$60 the local market price. If rice imports from Siam would be realized, this would cause a drop in wages and change the entire production picture.

High labour costs forced the Company to close down here their own glass factory manufacturing bottles and ampules.

SHIPPING REVIEW

SHIPPING OF INDOCHINA

During the first 5 months of 1947 a total of 172 ships entered, and 165 ships departed from the port of Saigon, registering a tonnage of 541,400 and 513,000 respectively. The port of Campha recorded for February and March together 8 ships as arrived with a tonnage of 18,000. The port of Haiphong recorded for February and March: 25 ships arrived, and 22 ships departed, with a tonnage of 24,100 and 21,400 respectively.

The 1938 monthly average of Saigon shipping was as follows: 79 ships arriving, 74 ships leaving, with a tonnage of 324,000 and 301,000 respectively. The port of Haiphong recorded the following 1938 monthly averages: 206,700 tons arriving 200,800 tons leaving.

During May, the port of Saigon recorded the arrival of 44 ships of 124,300 tons, and the departure of 36 ships of 100,200 tons, i.e. about one third of the 1938 average. A year ago, in May 1946, the Saigon shipping returns showed 76 ships as arriving and the same number as leaving, with a tonnage of 179,500 and 174,300 respectively. The hostilities which broke out in December 1946 have retarded the economic recovery of Indochina which is expressed in the reduced tonnage figures of Saigon.

CHINESE SHIPPING FIRMS' COMPENSATION

After 21 months of negotiations, the Chinese Government has recently accepted the responsibility for paying compensations in ships or in cash for a total of 120,000 tons of Chinese ships sunk by the Chinese in order to blockade rivers as well as for ships which were sunk or damaged by Japanese bombing while these ships were serving for the Chinese Government. According to the Chinese Shipping Reparations Commission which was formed after the war exclusively for the purpose of negotiating with the Government for wartime shipping losses, Chinese shipping companies had, as a result of war, sustained a total loss of 206 ships aggregating 296,250 tons. These losses were 63 ships of 119,906 tons sunk by the Government in blockading Japanese entry, 33 ships of 15,981 tons sunk or totally damaged through enemy actions while serving with the Government (these two made up a direct loss of 135,887 tons), 67 ships of 111,006 tons captured by the enemy and 43 ships of 49,357 tons sunk or totally destroyed through enemy bombings while not serving with the Government.

The Executive Yuan at a recent meeting decided to earmark US\$10,160,000 as compensation to the 34 commercial shipping companies which suffered direct losses to enable them to buy 90,000 tons of new ships

from America. The remainder of 30,000 tons will be compensated by the Government later either in cash or ships. As a result, the 34 shipping companies have formed a special committee in Shanghai to dispatch two representatives to go to the United States, together with two members of the Communications Ministry, to purchase and take delivery of the 90,000 tons of new ships.

It has not yet been decided by the special committee whether these 90,000 tons of new vessels will be jointly operated by a company to be participated in by all the 34 firms or whether they will be allocated to them, according to the extent of their direct losses, for their separate operation.

YANGTSE SHIPPING REGULATIONS

All coastal and river vessels, regardless of their tonnage, entering or leaving the Yangtse River have to report to the Chinese Customs Woosung station, failing which ships will be detained and penalised. Earlier, it was made known that as from June 1 all vessels sailing along the China coast and between Yangtse River ports are required to turn in all shipping papers for examination when passing Woosung.

PANAMANIAN SHIPS IN HONGKONG

Being a member of the International Shipping Convention, Panama cannot and will not violate any recognised international shipping laws, though she offers some degree of facilities under her shipping regulations to merchants to operate their vessels at a cheaper operational rate than prevail in the United States or Britain under their respective existing regulations. These were the assertions made by the Panamanian Consul-General in Hongkong to a representative of the Far Eastern Economic Review when replying to some accusations put forward by shipping circles regarding the malpractice of non-Panamanian shipping companies to register their vessels under the Panamanian flag.

Although the Consul was unable to supply a copy of the Panamanian shipping regulations for our study and comparison with the British shipping laws, since he said there is none in the Consulate-General here, he claimed that regulations of his country are fundamentally the same as those of the British.

Under the Panamanian law, he pointed out, all ships flying the Panamanian flag must observe international shipping laws and cannot overload cargoes or accommodate excess passengers beyond their registered cargo tonnage and passenger accommodation capacity. As long as one has an agent in Panama, any shipping company whether belonging to Panamanian or foreign nationals, can register its vessels with the Panamanian Government and fly the Panamanian flag, provided its application for registration was accepted by the Panamanian

HONGKONG COMMERCIAL REPORTS

TUNG OIL TRADE

The local market price of tung oil during the earlier part of July was hovering around \$120 per picul (the price does not include the drum or charges incidental to delivery free on board but covers only the native dealers expenses from whose shop at Nam Pak Hong or his godown delivery has to be taken); the lowest price at Nam Pak Hong (native merchandise and China produce market) was \$116. At that time New York's produce exchange quoted around 22 US cents per pound (lowest New York price 21½ cents).

During the last week of July local prices stiffened and a gradual improvement set in which resulted in almost daily price advances. Local dealers and tung oil exporters paid what was demanded acting obviously under the information that supplies in South and Central China are getting thinner. This development has been partly caused by strong Chinese Govt purchases (Central Trust of China acting as Govt buyers in collaboration with CVOC) and the recent heavy shipments of oil to America and Europe.

By the beginning of the current week (Aug. 18) the local price was already around \$170, and business was done at \$175 fob Hongkong.

This price equals HK\$1.35 per pound, or about US\$0.27, calculating on the basis of the local US\$ T.T. rate (around HK\$521) for 75% of export bills and 25% of export bills at the official rate of exchange.

In spite of the considerable improvement of the price of tung oil in New York, now about 25½ to 26 US cents, c&f New York, local exports of tung oil to the U.S. cannot be effected at current prices. Exporters may be able to get cargo through to U.S. if the price there reaches the 30 cents level. The outlook for an improvement of the New York price is favourable seeing that all vegetable oils advanced in quotation and European customers, mostly government agencies, are prepared to pay better prices than New York.

In fact, it was the European market which supported the local high tung oil price. Only a few weeks ago local shipments for the U.K. were done at only £150/160 per metric ton while last week British buyers paid in Shanghai £188, c&f UK port, a price which corresponds to the current high quotation here of HK\$170 per picul. The above mentioned sale was negotiated with the Central Trust of China.

Government or by its Consuls abroad. The only difference perhaps is that Panamanian ships can engage captains, officers and crew members of any nationality (except 10 per cent set aside for Panamanian nationals) whereas British ships must employ British captains and officers, and American vessels take only members of the United States Maritime Union. The employment of captains and officers by Panamanian vessels is, however, subject to their qualifications, namely any national can work aboard Panamanian ships so long as he holds respective degree certificates issued by any internationally recognised school. For this reason alone, the Consul explained, Panamanian vessels can be operated cheaper than British and American ships. This in turn will reduce freight rate and attract more cargo shipments.

Touching on the Far Eastern shipping services of Panamanian ships, the Consul said that the total strength of Panamanian tonnage in the Far East today is only one-third of the prewar bottoms, though the aggregate tonnage of Panama's European shipping is many times the prewar strength.

As Panama has not yet concluded a commercial and navigation treaty with China, the Chinese Government accords no regular privileges to Panamanian ships to enter Chinese ports other than those for which they obtain special permission from the Chinese Customs from time to time.

There are less than 10 Panamanian ships plying between Hongkong and Chinese ports. Some of them are owned by foreign shipping companies but registered with the Panamanian authorities, while a few are owned by Panamanian firms but chartered by Chinese companies. No British owned ships are registered with the Panamanian Consulate-General in Hongkong. The Consul said that he is aware that some foreign ships registered with his office have been abusing the Panamanian flag by engaging in smuggling and overloading. Should they be caught, he warned, the Panamanian flag will be taken away and their registration cancelled.

This is the reason why the Consul has been very careful in granting registration to foreign owned vessels. In many instances, he refused such applications for registration by foreign owned ships.

Referring to postwar trade between Hongkong and Panama, the Consul said the present volume of trade between here and his home country was only one-tenth of prewar. However, this is gradually improving and may eventually reach the prewar volume.

About six months ago, the Sai On caught fire just as it was about to leave for Canton. A considerable number of passengers on board perished and the ship was badly damaged.

The estimated cost of putting the Tung On and Sai On into shape would be in the region of HK\$1,250,000 each.

Of course, private tung oil merchants could not sell at this price since their calculations are based on open market conditions and not, as in the case of the Chinese Government-in-business, on the basis of payment of freshly printed CN\$ to the producers and mills whilst accumulating foreign exchange resources abroad.

The Central Trust has collected recently 5,000 tons of tung oil, 3,000 of which were purchased from dealers in Shanghai and 2,000 tons in the interior from mills operated by the CVOC. Over 1,000 tons at £188 were the first Central Trust export shipment since the policy of "procurement of export produce by the Chinese Govt" was announced.

The Exchange Problem

While the local price advanced within one month by about 40% the New York price only improved 20%. However, during the same period the T.T. New York rate also advanced, 4 to 5%, which development has somewhat benefitted tung oil and general export business. The question of US\$ rates on the local T.T. market has much bearing on the tung oil trade; this, rate, in fact, makes or breaks the business.

As long as the Hongkong Exchange Control did not intervene in this trade and ignored tung oil exports against payment of US\$ in New York the oil merchants were satisfied and much business was done here which otherwise might have been directed via a Chinese port. Since tung oil exports to all countries outside the sterling area are under export control, i.e. required to surrender 25% of their export bills to the exchange association banks at the official rate, the exporters' profits have decreased by about 5% as against the "uncontrolled period" (prior to June 9).

The policy of export control over tung oil will require a new approach after the latest developments in China where now an open market exchange rate has been legalised. The cancellation of the export control order may now appear as advisable; this not only on account of intensified competition with Chinese ports, particularly Shanghai, but also owing to the fact that exports to the U.S. have decreased and thus US\$ have not been earned here in amounts approximating proceeds earlier this year; exports of tung oil to Europe, payable in sterling, were not the thing desired by Government here. Furthermore, a large amount of sterling earned by tung oil exporters is transferred to the free exchange market of New York where it adds to the pressure which currently is exerted on the free rate.

Since tung oil is Hongkong's most important US\$ earning export article, this question of continued export control over tung oil exports to non-sterling area countries requires a speedy review and prompt adjust-

ment, an adjustment which can only result in the decontrolling of tung oil.

Macao's Position

After the introduction of the Export Control Order with effect from June 9, 1947, which excluded China and Macao from the countries to where tung oil could not be shipped without exporters being obliged to surrender 25% of their export bills to the Exchange Control of Hongkong at the official rate, many private exporters and CVOC started to ship this produce from here to Macao where tung oil was loaded on big ocean ships anchoring several miles outside Macao.

Macao was utilised, loophole as this Portuguese Colony proves to be in so many instances (gold, Korean trade, tobacco and cigarettes trade, etc.), for both direct transporting of tung oil from Canton and South China places to Macao from where it was re-exported without any foreign exchange surrender clause, attached, and also for obviating Hongkong Exchange Control regulations by re-exporting tung oil from here to Macao for eventual re-export to the U.S. and other countries.

In order to stop this flow of re-export business, Hongkong Govt on Aug. 16 added Macao to the Export Control Order list of countries which has the effect that this sort of circumventing local exchange regulations has been stopped. Exporters of tung oil to Macao will now have to surrender 25% of their export bills. The result of course will be that no further tung oil shipments to Macao will be made. On the other hand, smuggling of tung oil from South China to Macao will increase considerably.

In view of this expected development it may also appear necessary and urgent to review the local export control order; in the interest of promoting this Colony's entrepot business a minimum of restrictions should be maintained.

The Export Control Order 1947 covers also shipments of tin and rubber which no longer can be "exported" to Macao without the previous surrender of 25% of export bills. Local trade returns show an increasing amount of rubber exports to Macao; obviously these so-called exports were put through for the same purpose as in the case of tung oil.

As long as Macao is not cooperative and will avail itself and exploit for whatever it is worth any opportunity offered by Hongkong Govt legislation and regulations which is not to the liking of the merchants in the Colony, it will be necessary to proceed with all local measures very carefully lest no harm be done to the entrepot business of Hongkong.

WOLFRAM ORE TRANSACTIONS

Egged on by reports about rampant smuggling of wolfram ore out of China, right in the rather feeble teeth of the Chinese Monopoly control over this mineral, one of the routine investigation and inspection parties, composed of representatives of various Chinese Govt bureaus, ministries etc., came recently to Canton and Hongkong and pretended as if they would not know. They made notes and studied the problem. Previous investigation parties did the same. Reports were made to transpire that a number of suspects had been questioned or even detained, but no facts were released. The Chinese army was politely implicated in such inspired reports as greatly interested in protecting the unrecorded trading in South China.

One realistic idea seems to have emanated from one or several members of the investigation party while talking things over with people in Hongkong, namely to recommend to Nanking that the official buying price of wolfram ore be drastically increased. In case of the adoption of such proposal there will be little incentive for smuggling, and Nanking would earn much more exchange; on the other hand, those circles who are deeply interested in wolfram ore transportation and "trade protection" would be deprived of the means of livelihood with probably embarrassing effects on the Central Govt.

The local wolfram ore price dropped during the past fortnight as against the record prices of July when over \$500 per picul were asked and paid. Last week some transactions took place at \$370 to 430 per picul. At this price there should be some interest from American and European buyers.

The arrival here of wolfram ore from Korea (via Macao) has caused a healthy reaction in the market which was previously thought to be the preserve of the military and civilian smugglers from Waichow and other South China districts. There is much wolfram ore from China expected here; the vaults of the Banco Nacional Ultramarino, Macao, should also regularly yield adequate quantities of Korean ore.

CANTON EMBARGOES

As so often in the past, Chinese authorities in Kwangtung have again announced trade embargoes, obviously under the impression that an announcement will do the trick. This time it is an export embargo on edible oils, firewood and charcoal. Vegetable oils may be added to the list. As long as the Chinese Customs and their preventive service remains as paralysed as it appears these days, no embargoes will be successful but may only result in more rackets, official and private. The immediate effect of the so-called embargo was that prices of firewood, charcoal and some edible oils increased somewhat in the local market.

QUOTATIONS

Following are China produce quotations in New York (in US\$ per pound f.o.b. US port):

Description	July 28	Aug. 1	Aug. 15	Aug. 18
Cassia oil	3.25/85	3.25/85	3.25/85	0.75/85
Aniseed oil	0.70/85	0.70/85	0.75/85	0.75/85
Antimony 99.5%	0.33	0.33	0.33	0.33

BRISTLES:

Hankow, regular assortments	3.40	3.35	3.35	3.35
Chungking, regular assortments	2.20	2.20	2.20/25	2.20/25
Shanghai, regular assortments	2.00	1.90	1.90	1.90
Tientsin, short 55's	5.00	5.00	5.00	5.00
Tientsin, regular 55's	8.00	8.00	8.00	8.00
Sandalwood oil, in drums	14.00	15.00	13.50	13.50
Tung oil	0.22½	0.25	0.26	0.26
Tin	0.80	0.80	0.80	0.80
Tungsten (99.8%)	2.90	2.90	3.05	3.05
Wolframite	0.31/32	0.31/32	0.31/32	0.31/32

Following are Vegetable oil quotations in Hongkong (in HK\$ per picul, of 133.3 pounds):

Description	July 30	Aug. 4	Aug. 9	Aug. 17
Tung oil	140	135	156	162
Cassia oil	1,000	1,000	1,000	850
Aniseed oil	285	280	280	280
Teased oil	193	205	205	200
Peanut oil	206	220	230	240
Sesame oil	245	265	265	265

Cassia lignea cold at \$25/27 per picul.

TRADING WITH JAPAN AND KOREA

The resumption of private trading with Japan and Korea has been made legally possible by the making of two Orders by H.E. the Governor of Hongkong dated August 8, 1947: viz.—The Trading with the Enemy (Transfer of Negotiable Instruments etc.) (Japan) Order, 1947; and the Trading with the Enemy (Authorisation) (Japan) Order, 1947. (Cf. our issue of Aug. 6, page 252, regarding Trade between U.K. and Japan).

The first Order sanctions transfers and assignments of choses in action, negotiable instruments and certain securities transferable by delivery which may be made by or on behalf of the Japanese state or persons to whom this Order applies from the date of this Order.

As regards the second Order, its terms correspond with the Trading with the Enemy (Authorisation) (Japan) Order, 1947 dated May 28th, 1947, made by the Board of Trade (S.R. & O. 1947 No. 1031).

Section 2A of the Trading with the Enemy Ordinance, 1914 makes the provisions of that Ordinance continue to apply to areas under enemy sovereignty until the Governor otherwise Orders. The present Order permits trade within certain limits with the Japanese state and individuals and bodies of persons in Japan from the date of this Order.

This Order also removes Custodian control (effected in the United Kingdom by S.R. & O. 1947 No. 1033) over money or property accruing in consequence of this authorisation.

Japanese property in Hong Kong under Custodian control before the date of this Order coming into force and income arising therefrom continue under such control.

The term "Japan" includes all territory which was previously the Japanese Empire.

Trade between Hongkong and Japan and Korea is now open to private merchants subject only to rules and regulations issued by SCAP and the Far Eastern Commission or any organisation under its authority.

Until the formal signing of the peace treaty with Japan there will remain a number of disabilities which the Japanese Government and people will have to submit to. After the return of normal relations between Japan and the Allies, expected at the beginning of 1948, the Japanese Govt. will take over all those economic and other controls which are at present carried out by SCAP in cooperation with the various Japanese authorities assigned to the respective financial, commercial and industrial controls.

Ships which have been trading with Korea via the Portuguese Colony of Macao since the beginning of the year need no longer make the detour but can steam direct from Hong Kong to any Korean port provided the cargo on board has been authorised for export.

All imports and exports between Hong Kong and Korea are now subject to license. Financial arrangements for payment have not yet been finalised. Mr. J. Galvin, Head of the Industry Section of the Department of Supplies, Trade and Industry, will visit Korea to complete the financial arrangements.

The Korean Foreign Exchange Bank, Limited, has opened an account with a local American bank to facilitate trade between Korea and Hong Kong.

In the meantime, trade between the two places will be on a barter system as has been the practice for the past eight months.

EXCHANGE & FINANCIAL MARKETS

Weakness of Hongkong Dollar

The sterling crisis draws to a close and a decision regarding the future position of sterling will be made known during this month. The uncertainty about the continued maintenance of the £/US\$ cross rate affects all sterling currencies and consequently the local dollar has been made the target of much speculation.

No local bankers or business men like to commit themselves as regards the future of the Anglo-American negotiations. The future of the HK\$ will depend upon the decisions to be reached by the British Government and the Bank of England representatives who at present negotiate in the United States in order either to re-introduce the position as prevailed prior to July 15, or to obtain an American guarantee for U.S. Treasury purchases of all sterling offered in New York, or to abandon the present fixed cross rate and replace it by an open market rate. Thus the devaluation of sterling, and with it all sterling area currencies, can no longer be ruled out. Such "devaluation" has, in fact, started about 2 weeks ago with an international run on sterling and subsequent appreciations of gold and US\$ in terms of sterling and £ area currencies. However, similar developments happened during the earlier part of this year and in 1946; at all times it appeared as if free sterling would drop but it always found its level in New York of about 20 to 25 percent under the official rate of exchange.

On account of the apprehensions felt here as elsewhere about the sterling rate local investors were buying gold and US\$ as a hedge against the future: excitement drove gold bar and US bank note prices up to record levels. Banks which deal in the unofficial exchange and bullion markets, brokers and dealers were making good profits as the turnover was strong and fluctuations sometimes excessive.

The Chinese Dollar

During the past week the Shanghai draft once reached a higher price than the bank note spot rate, however, this occasion was very shortlived. In spite of sterling devaluation rumours and fears the CN dollar could not receive any speculative support. There were some efforts by the bull operators but these collapsed in the face of facts: Shanghai and Canton remittances arrived here in a steady stream and bank notes were carried into the Colony in apparently never ending bulks.

Highest and lowest quotations during the week were respectively: for spot notes \$146½ and 134 (for one million CN\$); for forward transactions \$142 and 125; for Shanghai remittances

\$148 and 113; for Canton remittances \$143 and 130. The remarkable thing is that at one or two occasions spot and forward rates were almost equal and that Chinese T.T. discounts or premia were not higher than 1 or 2%. The Shanghai dollar in Canton quoted at the beginning of the week at par but later gave way and was discounted between 3 to 7%. On the whole the slow depreciation of CN\$ remains arrested on the local market while the black market rate of US\$ in Shanghai shows signs of further improvement, with the US\$ note now fetching CN\$42,000, T.T. New York about CN\$46/48,000.

UNOFFICIAL EXCHANGE MAXIMUM & MINIMUM PRICES

Month	Gold			US notes		US drafts		T.T.	
	Highest	Lowest	Closing	High	Low	High	Low	High	Low
January	\$366	\$315	\$320	\$495	\$466	\$500	\$480	\$522	\$482
February	323	254	270	492	484	515	494	525	505
March	283	267	275	490	474	500	485	517	485
April	278	266	270	470	440	480	454	515	494
May	278	258	275	470	452	475	466	530	493
June	303	270	275	475	458	486	460	518	485
July	347	297	323	501	473	498	475	516	498

The local cross rate for £/US\$ reached during the first seven months of 1947 the highest and lowest prices of US\$3.32 and 3.01 respectively.

The highest and lowest gold prices for the first seven months of 1947 were \$366 (in January) and \$254 (in February).

The highest and lowest prices for US\$ for the first seven months of this year were as follow:—bank notes \$501 (in July,—\$440 (in April); drafts \$515 (in February)—\$454 (in April); T.T. \$530 (in May)—\$482 (in January).

The local gold cross rates (monthly averages) for one troy ounce based on the local T.T. New York price (at which most gold has been paid for) were as follow:— January US\$57; February US\$46; March US\$45; April US\$45; May US\$42½; June US\$46; July US\$52½. (To arrive at the cross rate for the tael 20% have to be added to the price per troy ounce).

The second week of August registered the following highest and lowest prices: gold \$378 (the record so far for 1947)—\$344; U.S. notes \$515—\$497; US drafts \$510—\$498; T.T. \$528—\$513. The gold cross rate average for the past week was US\$57½ per troy oz (about the same as in January 1947).

Bank Note Markets

Sterling notes were bought at around \$13, a price which has not changed for several weeks past. The market is very narrow and so far speculation is not interested in this counter. Some buyers of sterling notes are mailing them out of the Colony with the intention to import them into the U.K. by one or the other method. This illegal "repatriation" of notes has been going on via the U.S. and European countries for some time.

HONG KONG OFFICIAL EXCHANGE RATES

	Hongkong & Shanghai Bank's		Exchange Banks Association	
	Selling rates		"agreed merchant rates"	
		Selling	Buying	
London	1/2.27/32	1/2.15/16 delivery within two months with a cut of 1/32 for every 3 months forward	1/3.1/32 TT 1/3.1/16 O/D & 30 d/s 1/3.3/32 60-90 d/s 1/3½ 120 d/s	
Australia	1/6½	1/6½	1/6½ TT 1/6.15/16 O/D	
Singapore	52½	52½	53.7/16 TT & O/D 53.9/16 30-60 d/s	
India	82½	82½	83½ TT 83½ O/D 84 30 d/s 84½ 60-90 d/s	
U.S. and Canada 24½		24.15/16 delivery within 2 months with a cut of 1/16 for every 3 months forward	25½ TT 25.5/16 D/D & 30 d/s 25½ 60-90 d/s	
Manila	50.1/16			
Paris	2970			
Zuerich	167			
Bangkok	243			
Shanghai	Nominal			

US\$ cross rate in London 402¼ b., 403¼ s.

HONGKONG UNOFFICIAL EXCHANGE RATES (IN HK\$)

	Gold per Tael		CN\$ (per one million)				S'hai	Canton	US\$	(per 100)				
	High	Low	Spot	Forward		High	Low	T.T.	T.T.	Notes	Draft	T.T.	I.C.\$	Guilder
Aug.	358	344	146	138½	142	133½	135	140	497	498	513	14	38	25
11	358	344	146	138½	142	133½	135	140	497	498	513	14	38	25
12	378	356½	146½	143½	141	133	140	142	505	510	514	15	36½	24½
13	364	354½	142½	135½	131	127½	130	135	500	509	523	14	35	23
14	381	355	137	134	133	125	124	135	500	509	520	13½	35½	23
15	371½	359	141½	137½	134	134	125	135	515	509	525	14	35½	23
16	377	363½	141	140½	136½	130	120	132	510	510	523	14½	34	23¼

Indochina piastres were in good demand, reached a maximum price of \$15½, but could not maintain this level on account of disturbing reports coming here from the south indicating that the hoped for peace settlement is still far off. Nica guilders remain strong, between \$35 and 38. Baht sales brought the price down from \$25½ to 22½ but then some merchants and banks supported the rate to about 23½. The currencies of Siam, Indochina and the Netherlands Indies are fundamentally sound and should eventually receive more support until a level is reached which is not too far off the official quotations.

PRICE TRENDS IN THE UNITED STATES

One year ago, on June 30, 1946, price controls lapsed and were only partly restored a month later; by mid-November decontrol was practically complete. This year of partly controlled and uncontrolled price movements has been characterized by a sharp and prolonged rise in prices, followed by a slight temporary decline at the turn of the year and a subsequent further increase. In the past few months prices have been leveling off somewhat below the peak reached in March.

At the start of this year it appeared that a gradual downward readjustment of prices was under way, principally in farm products and foods. February and March, however, were marked by a new upward movement of prices, which brought the over-all index of wholesale prices to the highest point since 1920. The gains were general, all major groups of commodities sharing in the advance, but farm, food, and building materials prices led the rise with average increases of more than 10 per cent above early January levels. The increase in farm and food prices was widely attributed to large Government purchases of grain for export occasioned by poor European crops.

Early in the spring, rising prices gave impetus to widespread comment by Government officials and businessmen, especially retailers, who declared that prices were too high and should be reduced. This campaign for a lower level of prices met with varying responses. In some cases there were community-wide drives to bring prices down; in many instances the widely-advertised markdowns were only a temporary measure by retailers to eliminate the less desirable or excessive portions of their inventories. Reductions at the manufacturers' level were scattered and generally of minor importance. While the price decline on both wholesale and retail levels following the price reduction campaign has been very slight, there is the possibility, nevertheless, that it helped to forestall a round of price increases following the second round of wage increases this spring.

Following the peaks reached in March or early April, prices in the aggregate have declined slightly and then leveled off, although in some lines they have continued to increase. Prices of farm products, foods, and hides and leather products had dropped about 5 per cent by May, but they have since increased somewhat. The index of chemical products has declined steadily since its April peak, while prices for housefurnishings have been rising steadily since decontrol. Building materials have shown the greatest price rise of any major commodity group since the first of the year; although latest figures are slightly below the April peak, they are about 13 per cent higher than in the week ended January 4.

The extent of the increases in spot market prices of certain basic commodities since controls were removed is shown in the accompanying table. The great majority of the commodities included have declined in price from their postwar peak. In general, the ones showing the most spectacular price advances have also experienced the greatest reaction, while those whose price increases were more moderate have proved more stable, although there are exceptions on both extremes. In only one instance—rubber—is the current price below that prevailing when O.P.A. lapsed a year ago. For two commodities, print cloth and cocoa, prices are still more than double the ceilings prevailing last June. Metals, which are generally in the category of administered prices, have remained at or near their peak levels. Sugar, which is the only commodity in the table still subject to price control, is likewise at its ceiling.

Many commodities are still comparatively scarce and have not faced the adjustment necessitated by a buyers' market. Some, like lumber and wheat, are only now beginning to feel the effects of an abundant supply. An indication of the attitude of professional traders toward the future trend of commodity prices is furnished by quotations of futures prices. Prices for future delivery of agricultural commodities have been consistently selling at a discount from spot prices, and the discount tends to widen for longer term deliveries. The Department of Agriculture has reported that lower farm prices are in prospect by the end of the year, but declines in this area will be limited to some extent by the support prices established for major commodities. Winter wheat prices, for instance, are now only about 10 per cent above the support level for the 1947 crop. Sharp general declines in prices of manufactured goods in the short run are considered unlikely, mainly because of the downward inelasticity of wage rates in a highly unionized industrial economy—a factor not so important in 1920-21. While individual commodity prices which got out of line may drop to lower levels, it is thought that the tendency of the over-all price level is more likely to be one of gradual adjustment than of violent fluctuation. In many cases the adjustment, which is already under way, is taking the form of improved quality at stable prices, or of increased production of lower priced lines of merchandise the quality of which is not proportionately lower, and hence is not reflected in price indexes.

Price Changes in Selected Basic Commodities

at Primary Markets, 1946-47

Commodity	Date attained	Postwar peak	Percentage change		
		Price in dollars	June 24, 1947 price in dollars	June 29, 1946 to peak	Peak to June 24, 1947
Cocoa beans (lb.)	June 18, '47	.320	.320	+256	0
Tallow (lb.)	Mar. 20, '47	.278	.118	+223	-58
Cottonseed oil (lb.)	Mar. 13, '47	.412	.238	+188	-42
Lard (lb.)	Oct. 25, '43	.400	.184	+186	-54
Print cloth, (yd.)	Feb. 21, '47	.255	.232	+124	-9
Hides (lb.)	Nov. 7, '46	.325	.280	+110	-14
Steel scrap (ton)	Mar. 13, '47	39.000	35.000	+108	-10
Hogs (cwt.)	Feb. 25, '47	29.625	24.625	+99	-17
Lead (lb.)	Mar. 4, '47	.150	.150	+83	0
Coffee (lb.)	Oct. 21, '46	.284	.255	+80	-10
Steers (cwt.)	Oct. 16, '46	30.250	25.625	+78	-15
Copper (lb.)	May 12, '47	.226	.214	+59	-5
Butter (lb.)	Oct. 10, '46	.885	.640	+58	-28
Corn (bu.)	July 15, '46	2.280	2.218	+57	-3
Wheat (bu.)	May 28, '47	2.932	2.215	+57	-24
Tin (lb.)	Apr. 2, '47	.800	.800	+54	0
Sugar (lb.)	Apr. 1, '47	.062	.062	+48	0
Zinc (lb.)	Jan. 2, '47	.110	.110	+26	0
Wool tops (lb.)	Dec. 16, '46	1.680	1.510	+26	10
Cotton (lb.)	Oct. 2, '46	.389	.371	+25	-5
Rubber (lb.)	Jan. 23, '47	.258	.140	+15	-46

Source: U.S. Bureau of Labour Statistics.

HONGKONG STOCK & SHARE MARKET

Throughout the week the market ruled dull and there was a very small turnover. Bargain hunters are on the side lines looking for cheap cargo but only few were lucky enough to get what they were interested in.

The strike of several thousand mechanics and a few hundred sympathisers has caused some uneasiness in Hongkong. On the other hand one would have thought that the pronounced weakness of HK\$ in terms of gold and US\$ would have also affected the share market with subsequent improvement in rates. The fact, however, is that prices have recently reached levels which the investors thought no longer attractive and the speculation here is insignificant; all transactions being on a cash basis there is little to gamble.

The decline in prices of all the popular shares represented a welcome development for new investors and it will lead to stronger business in the near future. A market which is continually on the up and up, without recurrent periods of reactions, cannot expect to negotiate much business. The current period of weakness in rates has incited interest by a good many people who only find, to their chagrin, that the local market is so narrow and, in a number of shares listed and quoted, only fictitious. Far more than half of the shares listed do not actually figure in the market and quite a few shares could be well deleted from the daily quotation list.

Of shares traded during last week's 4½ days Banks and Insurances were the medium of moderate business. Trams and Lights were steady. Electrics dropped after the news of the issue of new shares and were done at around 73, a drop of 10 points. Watsons, Dairy Farms and Lane Crawfords lost throughout the week. New Telephones quoted around 37.

New Issues, Dividends

Cements: new issue 1 share for every 2 old, at \$10, payable Sept. 30, 1947.

Douglas S.S. Co: \$15 dividend for 6 years, 1941/1946.

Electrics: new issue 2 shares for every five old at \$10, payable November 30, 1947.

Telephones: New shares: call of \$2.50, payable August 18, 1947.

Wharves: new issue \$100, payable half by Dec. 31, 1947, and half by June 30, 1948.

HONGKONG STOCK EXCHANGE QUOTATIONS

	Aug 12	Aug. 15	Aug. 18
H.K. GOVT LOANS			
4% Loan	106	106	106
3½% Loan	101½	101	101
BANKS			
H.K. & S. Bank	2000	2000	1950
H.K. & S. Bank (Lon. Reg.)	£112	110	110
Chartered Bank	£ 113¼	11½	11¾
Mercantile Bk. A. & B.	£ 22¾	22	22
Bank of East Asia	110	110	110
INSURANCES			
Canton Ins.	400	380	380
Union Ins.	790	790	800
China Underwriters	6¼	6	5¾
H.K. Fire Ins.	300	275	275
SHIPPING			
Douglasses	260	260	260
H.K. & M. Steamboats	10	9	9
Indo China (Pref.)	101	101	101
Indo China (Def.)	379	379	379
Shells (Bearer)	97/6	95/7	96/10
Union Waterboats	43½	43½	43¾
DOCKS, WHARVES, GODOWNS,			
H.K. & K. Wharves	240	235	235
H.K. Docks	42	37	38
China Providents	25½	24	24
S'hai Dockyards	16½	16½	16½
MINING			
Raub Mines	7	7	7
H.K. Mines	5 c.	4 c.	4 c.
LANDS, HOTELS & BLDGS.			
H. & S. Hotels	24½	24	24
H.K. Lands	80	80	80
S'hai Lands	3¾	3½	3½
Humphreys Estates	26½	26	26
H.K. Realities	16	16	16¼
Chinese Estates	190	190	190
PUBLIC UTILITIES			
H.K. Tramways	25	27¼	23¾
Peak Trams (Old)	11	11	11
Peak Trams (New)	5	5	5
Star Ferries	137	135	135
Yaumati Ferries	31	30¾	30¾
C. Lights (Old)	19	18	18
C. Lights (New)	14½	12¼	14
H.K. Electrics	78	74½	74
Macao Electrics	22¼	22¼	21½
Sandakan Lights	13	13	13
Telephones (Old)	49	46	47
Telephones (New)	34½	35	37½
INDUSTRIALS			
Canton Ices	7¼	7¼	7¼
Cements	32½	30¼	30
H.K. Ropes	19½	19½	19½
STORES &c.			
Dairy Farms	81	77	77
Watsons	60	57	57
Lane, Crawfords	55	50	50
Sinceres	11½	11	11
China Emporium	14¾	14¾	14½
Sun Co., Ltd.	6	6	6
Kwong Sang Hong	215	215	215
Wing On (H.K.)	160	160	160
Wm. Powell, Ltd.	6	6	6
MISCELLANEOUS			
China Entertainments	37	37	37
H.K. Constructions (Old)	7	7	7
H.K. Constructions (New)	6	6	6
Vibro Piling	6½	6½	6½
Marsman Investments	13/3	13/3	13/3
Marsman, (H.K.)	1/6	1/6	1/6
COTTONS			
Ewos	9¼	9¼	10

JAPANESE ECONOMIC REPORTS

IMPORT FINANCING

The initial difficulty of financing imports of raw materials needed by Japanese industries has been partially solved by the action taken by the Far Eastern Commission upon the advice of SCAP. Bullion and precious metals and stones held by the Japanese Govt. under SCAP custody, value over US\$ 200 million, and this amount will be made available for financing of imports into Japan. Gold, silver, jewels etc. can be shipped abroad to be exchanged into foreign exchange for the purpose of buying in foreign countries industrial raw materials and necessary foodstuffs.

Another and equally important step to finance industrial rehabilitation of Japan is the extension of loans; the American Export-Import Bank has already agreed to finance American raw cotton shipments to Japan, and several other projects are now maturing. There is also British and other European interest in this line.

It is clearly understood and appreciated that Japan, apart from having been a not defaulting debtor nation in the past, is now under supervision of SCAP, and that loans given to Japanese, either government or private organisation, will be repaid. A number of short and long term loan projects have been advanced by various groups and are currently studied by the Allied and Japanese authorities. The extension of credits to Japanese importers and to the industry is to be anticipated within a few months after the resumption of private trading with Japan and the first contacts with former trading partners in Tokyo, Kobe, Osaka etc. have been re-established.

FIRST AMERICAN POST-WAR CREDIT FOR JAPAN

The U.S. Department of Agriculture reported on August 14, that plans are being developed for the establishment of a \$100,000,000 revolving cotton credit for Japan under which it is expected 750,000 bales will be shipped to Japan during the 1947/48 season. The plan calls for the formation of a company of United States shippers which will subscribe \$5,000,000 of capital with the remaining \$95,000,000 provided in the form of credits from the Export-Import Bank. The Export-Import Bank will finance shipments of cotton by the purchase of drafts drawn by qualified shippers approved by the cotton company set up for this purpose. Commitments for such drafts are not to exceed \$95,000,000 at any one time.

The amount of cotton which can be shipped in any given period is dependent upon the rapidity with which Japanese mills can process cotton and dispose of textiles to take up bank drafts as they become due.

TEXTILE INDUSTRY

No large increase of production can be hoped for unless the coal and steel supply can be improved considerably. The present goal of Japan's cotton textile industry is 4,000,000 spindles which will take two and a half years to attain at the present rate of progress. Four million spindles were permitted by SCAP, which stated that this interim level should allow moderate expansion in exports and fulfill the domestic requirements of the 1930 to 1934 standards.

Japan now possesses 3,800,000 spindles out of which 2,900,000 are in operable condition. Nine hundred thousand spindles must be repaired before they can be used. To reach the 4,000,000-spindle goal, she must manufacture 200,000 spindles of new cotton spinning machines.

In prewar years, 13,000,000 spindles were in operation but the conversion of textile factories into munition factories during the war reduced the figure to one third. Some damage by bombing was also done.

Altogether 169,000 cotton weaving machines will be needed to consume the output of 4,000,000 spindles. At present Japan has a total of 32,000 spindles which require to be repaired, and an additional 20,000 new machines must be manufactured in order to balance the spindle and machine production.

The above figures are based on the assumption that the textile industry will not be touched by the reparations program. Since the visit to Japan of the Clifford Strike reparations committee, the probability of the removal of textile industrial equipment appears remote. Two days after the American Committee made the statement "We don't propose to reduce the textile industry of Japan," SCAP Textile Division Chief Lieut.-Col. H. S. Tate announced a 4,000,000-spindle level for the cotton industry—1,000,000 spindles more than former U.S. Reparations Commissioner Edwin Pauley's plan.

While it is unknown whether the 4,000,000-spindle level will be the final figure to be determined for Japan's cotton industry, the Japanese cotton industry and the government are proceeding upon that basis. Mr. Kotaro Nasai, president of the Trade Board, told the House of Representatives foreign affairs committee that there was "no need to be pessimistic of the future foreign trade" as government hoped to have US\$690,000,000 revenue yearly from textile exports.

Japan plans to export 10,000 bales of silk at \$50 a bale. One million and a half bales of raw cotton will be imported and 1,200,000 bales of cotton yarn and cloth will be exported. About 150,000 tons of rayon will be exported and woolen cloth exports should yield US\$100 million.

RAW COTTON IMPORTS

About 700,000 bales of raw cotton are expected to be imported into Japan within the next few months. 350,000 bales of raw cotton will come from the United States while the other half will be Indian cotton. The United States cotton mission is negotiating for the importation of 350,000 bales of raw cotton into Japan and is proposing to hold Japan's estimated \$250,000,000 worth of gold as security. The curtailment of the spinning industry since July will be cancelled by October, prior to which American cotton is expected to arrive.

EXPORT DRIVE

The Trade Board buys export goods from manufacturers at prices higher than the domestic price level in order to encourage production of export goods. In an attempt to promote the manufacture of export goods, the government has assured the manufacturers of the necessary funds and extended assistance to new export industries. Government subsidies to the manufacturers of export goods will be given.

Japanese importers and exporters were warned not to conclude unauthorized contracts with foreign businessmen. The Finance Ministry has to approve of all contracts.

PRODUCTION IN JUNE

Shortage of coal and electric power caused production figures to remain at a standstill during June. A gradual increase in production since March was checked with the exception of steel, fertilizers and textiles. Production statistics deal with 124 categories; 47 increased production, 38 decreased and 39 are unchanged as compared with May. Production in only 26 items topped monthly goals set in the production plans with the rest below the plans.

June production of coal was 2,000,000 tons, one percent less than May production; hydro-electric power 2.8 billion kilowatt hours—a decrease of three percent. Thermo-electric generators produced only 81,000,000 kilowatt hours.

Iron and steel production increased slightly. Pig iron, 21,000 metric tons, ordinary steel, 41,000 metric tons and special steel, 6,700 tons. Each figure showed four or five percent increase over the month before. Production of agricultural implements showed a notable 220 percent increase over the previous month. Majority of machinery, textile machine, trucks and pumps showed an acute shortage of raw materials. Only 503 weaving machines were produced in June as compared with 835 in May. No spinning ma-

chires were produced. In chemical industry the production of ammonium sulphate showed one percent decrease over the month before with 67,426 tons. In phosphate and nitrogeous fertilizers production was a slight overall increase.

The textile figures showed production of 29,000,000 pounds of cotton thread, 1,300,000 pounds of rayon threads, 2,600,000 pounds of woolen threads and 740,000 pounds of silk thread. Staple fiber and linen threads, 1,200,000 and 1,600,000 pounds respectively.

Cloth production during June was: cotton cloths, 63,000,000 square yards, rayon cloth, 5,000,000 square yards, silk, 3.4 million pounds, cotton staple fiber, 2.8 million pounds, woolen cloth, 1.9 million square yards.

In daily essential sundry goods, increases were seen in pots and pans, soap and rubber articles. Production of matches and shoes decreased.

COAL OUTPUT

The five-year plan to boost coal production to 45,000,000 tons yearly by 1951 has been completed by the Coal Board. The plan is based on the 1930-34 industrial level. Japan consumed 39,000,000 tons during 1934, and 44,000,000 tons in 1936. Japanese government experts based their plans in line with the views formed sometime ago that Japan should maintain the industrial level of 1936 and 1937. This industrial standard, needed to keep the 1930 standard of living for increased population, is expected to reach 80,000,000 by 1950.

The present five-year coal plan calls for the development of new mines hitherto unexploited which will be under the "Government Coal Corporation," slated to be erected under the proposed bill for state control of coal mines. Whether this bill will pass the National Diet in face of strong opposition is yet unknown but in the event the passage succeeds, about 2,500,000,000 yen are expected to be appropriated to finance this plan. About 400,000,000 yen are estimated necessary for the first year in order to reach the production goal of 39,000,000 tons.

Production for the last fiscal year ending March 31 this year was only 22,460,000 tons.

CONSTRUCTION OF SHIPS

The Japanese Government is constructing an additional 22 light steel fishing vessels of a total displacement of 1,930 gross tons. One of the 22 carriers will have a gross tonnage of 250 and another 170.

The Japanese fishing fleet now has a sufficient capacity to fish in the restricted areas allocated. Up to now, SCAP authorized the Japanese to construct 150,073 gross tons of steel vessels and 3,240 gross tons of wooden vessels, and 100,000 tons of other ships.

THE TRADE OF INDOCHINA

Indochina's imports during the first five months of 1947 aggregated 65,060 tons valued 4,648 million French francs, and exports during the same period totalled 108,400 tons valued 3,355 million francs. All trade figures of Indochina include Cambodia, Cochinchina and Laos only. Since parts of the North of Indochina are as yet unable to resume trading with abroad, trade statistics do not include the movement of goods through Haiphong and minor ports. Detailed trade figures for the first four months of 1947 were published in our issue of July 9, pp. 160/161.

The principal suppliers of commodities, raw materials and foodstuffs of Indochina during the period January to May 1947 were as follows:—

—France with 22,900 tons, valued 2,941 million francs; the French Empire with 3,700 tons, valued 122 million frs. Next to France the United States figured as the leading importing country for Indochina, having shipped 12,600 tons of goods, valued at 732 million francs. Hongkong was the fourth largest importer with 3,400 tons of goods, valued 109 million frs. The Netherlands Indies shipped 14,800 tons of goods, valued 77 million frs, and India 2,200 tons, valued 74 million frs.

Principal import articles during the first five months of 1947 were:—(in metric tons):—milk products 835; wheat flour 3,717; potatoes 2,276; sugar 2,519; tobacco, cigarettes 545; vegetables 1,075; ordinary wines 3,273; liquors, brandy 1,035; fats and oils 5,004; petrol 16,203; metals 3,343; jute bags 1,830; cotton fabrics 2,495; paper and paper ware 991; machines and tools 2,297; metal goods 4,769; motor cars 806 pieces.

NEW HOUSES

Twenty months after the surrender until May this year, a total of 638,000 new houses and office buildings have been erected. This represents 26 per cent of 2,486,000 houses destroyed by air raids or torn down by fire during the war.

RAW SILK

Shrinking demand for raw silk in the world market forced the diversion of 10,000 bales of raw silk earmarked for export back to the weaving industry, which will produce finished goods for export. In case silk products are not readily acceptable in the world market, domestic textile requirements will be met in part from silk. Qualities and types as will find acceptance abroad in order to improve Japan's export will be met in part from silk.

PAPER PRODUCTION

Paper and pulp productions are on an increase, but even the growing production still cannot meet the demand. In June, Japan produced 29,900 tons of paper which is about 50% higher than the average monthly production in 1946. However, the increased pro-

duction is still far below the 1940 production figure of 190,000 tons monthly. Before war, Japan was the leading exporter of paper to China.

Indochina's exports during the same period went to the following principal countries:—France 4,600 tons, valued 1,291 million francs; French Empire 16,500 tons, 314 million frs; United States 8,900 tons, 534 million frs; Hongkong 9,500 tons, valued 182 million frs; Singapore 20,600 tons, 560 million frs; and China 5,400 tons, 46 million frs.

Principal export produce which were shipped from Indochina during Jan.-May 1947 were:—(in metric tons):—fish, salted, dry 418; maize 3,115, valued 62 million francs; rice (incl. rice flour) 64,000, valued 1,073 million frs; pepper 698, valued 214 million frs; colophane 954; rubber 26,070, valued 1,639 million frs; kapok 431; and tin 117.

The value of the Indochina piastre, in terms of francs and other world currencies, remained unchanged during 1947: French frs 17 equal one piastre, one £ equals 28.40 piastres, one US dollar 7.05, one Hongkong dollar 1.79, and one Straits dollar 3.35 piastres.

Although Indochina has been exposed to disruptions in production and communications on account of the temporary warfare in the northern sections of the country, her trade is quickly recovering and shows signs of encouraging improvement. While the monthly average of imports into Indochina in 1938 was 26,600 tons, the monthly average in 1947 is 14,000, or about half of 1938. The value of imports has of course very much increased in terms of francs and piastres which is due to the depreciation of the currencies in terms of dollar and sterling, and also a consequence of very much higher world market prices of most commodities and raw materials. While in

duction is still far below the 1940 production figure of 190,000 tons monthly. Before war, Japan was the leading exporter of paper to China.

INDIA TRADE DELEGATES

India has invited each of the 39 selected firms to send a representative to Japan as soon as possible after August 15. These 39 Indian businessmen will not comprise a delegation and will act as individual units. They will stay in Japan for 21 days. They represent Indian firms which are particularly interested in textile and other machinery, chemicals, porcelain, glassware, cotton and woolen piece goods, electric goods, paper and printing machinery. Exporters of raw cotton will be also listed among them.

UNDERSEA TUNNEL

The Japanese government is planning a 34.2 kilometer undersea tunnel to join Hokkaido with Honshu. Initial survey and trial borings are slated to start early this month. The projected tunnel will be the longest undersea tunnel, surpassing the present two tunnels joining Moji on the Kyushu Island with Shin-osaki on the southern tip of Honshu.

INDOCHINA INDUSTRIAL & AGRICULTURAL REPORTS

AGRICULTURAL PRODUCTION

CAMBODIA

Rice planting has been completed; it was effected in favourable conditions, and the crop is satisfactory. However, in the Battambang region conditions of cultivation are still precarious due to insufficiency of labour and cattle. The cultivation of red maize has made good progress on river banks as compared to fields in the rainy seasons of 1945 and 1946; abandoned soils are once again cleared for tillage and maize often substitutes cotton and tobacco.

The position is less satisfactory in the red soil region where, despite all efforts to develop the cultivation of maize only about one hundred hectares were sowed. Nevertheless, certain progress has been noted, unfortunately impeded by unfavourable economic conditions: selling prices that leave little profit, lack of labour, high transportation costs and competition of other more profitable products.

The sowing that will soon bear fruit was efficiently done, the crops are regular and the fields are good. The cultivation of white maize has been intensified, in Kratie province about 582 hectares were sown.

The cotton harvest is complete. The average yield in Kompong-Cham was 122 kilos per hectare with a maximum of 317 kilos and a minimum of 37 kilos. In Kandal, the average yield is about the same: 123 kilos, with a maximum of 347 and a minimum of 9 kilos.

1938 the monthly average for import was 99 million francs, during 1947 the monthly average came up to about 900 million francs.

Indochina's exports in 1938 averaged per month 136,100 tons, valued 186 million frs. The 1947 monthly average is only 21,600 tons, the monthly average value of exports about 670 million francs. In prewar years Indochina's trade resulted in a large favourable balance, usually exports were 70 to 90 percent over imports, yielding ample foreign exchange resources. The trade during 1947, however, resulted in an unfavourable balance: 4.6 billion francs worth of imports against 3.3 billion worth of exports. Trade with France was responsible for the deficit while trade with other countries, especially the sterling area, yielded a favourable balance of trade.

Until the present, no sowing had been attempted in the red soil region.

The gathering of kapok is also terminated. It is difficult to estimate the importance of the harvest, for quite often the owner sells his yield on the spot at a speculative price.

Market prices had gone quite high up in April, but experienced a slump in May, and it is not likely that they will go up again until the end of the year.

The sowing of ground nuts and beans is in progress on river banks and red soil; as to the beans, it is stated that their cultivation has been expanded upon red soil and, on the contrary, decreased on river banks.

TONKIN

The population that was forced to abandon villages and fields as a result of uprising and fighting, is slowly returning to the region surrounding Hanoi.

Rice planting was not possible on a normal scale, and planted fields suffered through lack of care; consequently, the crop in May was unsatisfactory on the whole except for the region west of Hadong in the direction of Day where rice fields were in a very good condition.

The return of the population gives ground for a certain optimism with regard to resumption of agricultural activity and improvement of rice-fields in this sector. However, planting of rice-fields is made difficult by 1) insufficiency of cattle and 2) insufficiency of seeds; a greater part of flocks and stocks of seed having disappeared. From 1/2 to 1/3 flocks, comprising bulls as well as buffaloes, have been missing.

It is premature for military reasons to envisage the descent of flocks from the elevated region or China's frontier. Only the limitation of slaughtering may compensate this insufficiency of cattle which in some villages reached 80%. The seed problem demands quick solution, for some villages are entirely deprived of stocks. Their needs may be partly satisfied through appeals to stocks of paddy held by the military, and it would be still better to envisage some sort of a "security fund" of seeds intended to replenish, under the control of the local military, the quantity of paddy needed for planting.

In conclusion it may be said that the agricultural position in the region surrounding Hanoi (especially in western and north-western sectors) is far from critical, but it is imperative to bring without delay effective aid in the form of importation of cattle and stocks of seed.

FORESTRY

General conditions in Cochinchina and South Annam have not improved. Insecurity considerably hampered forestry cultivation in the provinces of Tay Ninh, Thu-Dau-Mot and Bien-Hoa and brought it almost to naught in the coastal provinces: South Annam, Baria and Rach-Gia.

In Laos, Cambodia and mountainous country of South Indochina the work is proceeding normally.

In Tonkin, some plans have been evolved for rehabilitation of abandoned forests with a view to satisfying both military and civilian needs of high priority.

Timber

The difficulty of transporting timber from Cambodia does not permit its distribution to all the saw-mills. The cost price is much higher than it could be expected in view of pilferage of firewood used for tug-boats and the defective use of chaulands, the loading of which should be urgently improved.

Firewood

In Vietnamese countries all priority needs have been satisfied; in Cambodia, production has been accelerated after fixing controlled price for firewood: in Phnong-Penh the price for a stere has risen from 35 to 52 piastres. The production has come up to 13,025 stere in April from 6,403 in March.

Charcoal

With importation from Camau completely stopped, Saigon lives on her own resources plus some shipments from east Cochinchina and Cambodia. It is hoped that in the near future large quantities will be available for export to Cochinchina from Cambodia where production has increased.

INDUSTRIAL PRODUCTION

COAL

Net production in May 1947 of CFCT (Hongay mines), entered in stock, was 20,419 tons; it has almost reached the production of the months preceding December 1945 events when war operations started.

In the same month, the importation to Cochinchina has risen to 14,075 tons, which made possible the creation of a security stock of some 10,000 tons by the Coal Board.

SYNTHETIC RUBBER

The production of synthetic rubber reached 28,577 kilos in May; the number of reconstituted tyres is on the increase: 107 in April, 201 in May. Factories always encounter difficulties in getting allocations of cement and anti-oxygen as well as in procuring firewood usually at a prohibitive price.

INDUSTRIALISATION IN INDOCHINA

France has decreed that industrialization and supply of technical equipment should enjoy top priority over all reforms in overseas countries. The Law of April 30, 1946, establishing the fund for economic and social development of overseas territories (F.I.D.E.S.), is the backbone of the scheme, while the decree of October 16, 1946 fixed the procedure of expenditures from the Fund. The decree of October 24, 1946 determined conditions under which France's central fund for overseas development was to put into effect the measures authorized by the Law of April 30, 1946. The decree of January 16, 1947 finally determined competence of the Council in charge of the scheme and General Commissary, extending over the whole French Union.

The General Commissariat appointed committees of technicians of administration and productive establishments. The Committee of Overseas Territories is presided over by Mr Rene Pleven, and the sub-committee of Indochina by Mr Jean Bourgoïn.

In comparison to preceding months, the sale of rice-field equipment made of rubber has declined by 10% as a result of insufficient importation of paddy to Cholon. The sale of inner tubes for bicycles and motorcars has been brought to nought by the arrival of foreign made articles.

SUGAR REFINERIES

Sugar manufacturing period has lasted 42 days in April and May. Only 7,885 tons of sugar cane were used as compared to 1,200 tons, a normal 24-hour capacity of a sugar factory.

Guerilla activity has impeded the collection of harvest by sugar-cane plantations; besides, part of a plantation adjoining a sugar-factory was burned down.

Rum production is 1,892 hl., but selling is difficult due to the fact that the market had been captured by imported rums.

SOAP PRODUCTION

Copra of the new harvest begins to arrive in Saigon. The price of soap already suffered a decline of about Plastre 0.05 following prohibition of export of coconut oil which was imposed in order to curb black market transactions and improve trituration.

VARIOUS INDUSTRIES

Match factories have increased their production despite the difficulty of getting paper and also inadequate transportation facilities. In May, production reached 169 tons.

Twine factories in Haiphong are on the way to recovery and have doubled their output from March to April.

CEMENT WORKS

The following table illustrates the cement: (in tons):—

	Jan.	Febr.	March	April
Raw cement	Nil	Nil	Nil	1,392
Finished cement	1,717	3,459	2,552	1,686
Production in Kilowatt hours	512,800	635,000	663,300	713,600

Indochina Sub-Committee

The Indochina Sub-Committee set to work in Paris. It benefited by the presence of many technicians from Indochina and by the experience gained by Indochinese administration under Japanese occupation, as well as that under German occupation, when French enterprises—mines and industries—in Indochina were subjected to the so-called "Social Siege". The work done by this Committee is really remarkable and gives honour to Mr J. Bourgoïn and Mr P. Bernard who inspired it. The minutes of the sessions held present a collection of monographies dealing with main economic problems of Indochina which deserve publicity.

The sub-committee on Indochina has not yet drawn any conclusions. The best it has achieved concerns industrialization and electric energy production which was made comparatively easy by the fact that it disposed of a scheme that had been drawn by Mr Paul Bernard on October 3, 1945 who, in turn, benefited by the work done in France and Indochina in 1942 and 1943. Apart from the outline of the scheme, Mr P. Bernard expounded some general ideas, which later influenced its elaboration, in a lecture delivered at the Polytechnic Centre of Economic Studies on February 24, 1939 and which, it must be emphasized, remain remarkably fresh today.

Creation of Industries

As regards private industries (extractive and transformative), Mr P. Bernard estimated that they possessed the necessary installations and technical personnel for developing their potential of production in proportion to demands of Indochinese economy.

The first of the great industries to be created, in his opinion, is chemical and, more particularly, fertilizer industry. He emphasized the extremely low yields of Indochinese rice-fields—1,200 kg. per one ha in comparison to 3,500 kg. in Japan. Quoting the figure of 700,000 tons of nitrogen fertilizers consumed by Japan in 1936, he envisaged for Indochina the production of 20,000 tons of sulphate ammoniac and 50,000 tons of cyanamide.

The apatites of Laokay should be utilized for producing 7,500 tons of simple superphosphate, 40,000 tons of phosphoric acid soluble in nitric acid and citrate and 6,000 tons phosphoric acid soluble in water and citrates.

The following productions have also been envisaged:—10,000 tons of carbonate of soda by Solvay process; 11,500 tons of electrolyte soda intended for improving production of cellulose and rayon; 3,600 tons of

rayon; 7,500 tons of chlorine for local distribution and for cellulose production; 20,000 tons of cellulose Kraft; 2,500 tons of chlorine for handicrafts; and 26,250 tons of sulphatic acid from pyrites, blends or sulphur.

The second part of this program depends upon one condition which was and still remains the most controversial, namely, siderurgy. Indochina possesses excellent iron minerals but she lacks coke. She does not produce sufficient charcoal indispensable for high furnaces where charcoal is used. It would seem more logical to produce in electrical furnaces noble alloys by using other minerals available in Indochina's soil.

For melting purposes, experiments with antracite as a reducer proved promising. This was decided in principle in 1942.

In his scheme of October 1945, Mr P. Bernard estimated the possible production of lamina at 60,000 tons, that of melting at 3,000 and that of retining at 3,000.

Production of aluminium was estimated at 4,500 tons through utilization of imported bauxites and hydro-electric energy.

The dockyards, workshops for repairing and maintenance of aircraft and various industries (hydrolytic, plastic and isolating materials, shoe and rubber factories, jute spinning and weaving works) were mentioned in the scheme, some simply as suggestions and all with our exact figures.

Approval of Industrial Plans

This scheme was submitted for study to economic organizations in Indochina, and its main principles were approved. These organizations insisted, however, upon the necessity of creating only such enterprises which would be able to stand, so far as their selling prices are concerned, the international competition, in other words, to establish only such industries which would enjoy some special advantages. Likewise corrected were certain opinions relative to the labour problem and its cheapness in Indochina which had to be brought nearer to reality. The lack of qualified labour was also mentioned in this connection, as well as the necessity of creating cadres of same.

Finally, with regard to metallurgy, the principles of the original scheme were retained, especially with regard to reduction of antracite, while production of ingot was estimated at 81,000 tons.

The estimates of the scheme concerning aluminium were doubled.

Costs of Industrialisation

The expenditure necessary for fulfilling this industrialization program was estimated at 200 million plastes per year for duration of 10 years. It comprised the realization of cyanamide, cellulose, soda, chore, aluminium, and rayon productions outlined in the Bernard scheme and also partly the construction of a dam on Danhim, the cost of which was to be production of artificial Portland 1,447 million plastes. The estimates were made in 1939.

Certain points of Mr P. Bernard's scheme were made the object of consideration by the Indochina sub-committee and, with certain corrections, represent today a working program ready for realization.

Some of the conclusions made were mentioned in a letter by Mr Rene Pleven dated December 5, 1946 and addressed to the French Minister of Overseas Territories. It leaves out little of the essentials of Bernard's program and supports it insofar as production of soda, chore, chlorate,

cellulose, rayon etc. is concerned.

As to nitrogenic fertilizers, mainly in view of Mr Angladette's suggestions, the approved figures are: 30,000 tons of cyanamide and 30,000 tons of sulphate ammonia. The need for synthetic ammonia was estimated at 40 tons a day, to be followed later on by production of more complicated fertilizers.

The production of 7,500 tons of simple superphosphate was given up as non-profitable. Experiments with apatites will be undertaken in order

to determine the best ways—agricultural and industrial—in which they could be used.

The production of carbonate of soda was likewise given up, for the same reasons as that of super-phosphate. In both cases, the estimate of Indochina's requirements was based on too weak factors to be economically sound.

The estimates of production of sulphatic acid were raised from 75 to 100 tons a day.

LONDON EXCHANGE RATES

Country	Unit	Exchange System	Rate	Approximate Equiv. per unit in British Currency	Country	Unit	Exchange System	Rate	Approximate Equiv. per unit in British Currency
Argentina	Paper peso	Special Account	16.62 ¹	14.4440d.	Japan	Private trading	not yet permitted		
Austria	Schilling	Austrian a/c	40 ⁴	6.0000d.	Java (N.E.I.)	Florin Dutch	Account	10.70*	22.4300d.
Australia	£A	Sterling Area	125½ ²	191.2350d.	Mexico	Peso	American Account	19.65	12.2137d.
Belgium	Franc	B. of E. Official	176¾	1.3579d.	N. W. Indies	Florin	B. of E. Official	7.62	31.4960d.
Belgian Congo	Franc	Belgian Account	177	1.3559d.	New Zealand	£N.Z.	Sterling Area	125	192.0000d.
Bolivia	Boliviano	Special Account	171.25 ²	1.4015d.	Nicaragua	Cordoba	American Account	22.35 ²	10.7383d.
Brazil	Cruzeiro	Special Account	75.45	3.1809d.	Norway	Krone	B. of E. Official	20.02	11.9880d.
Bulgaria		Private trading	not yet permitted		Palestine	£P=	1,000 Mils Sterling Area	100½ ²	239.7004d.
Canada	Dollar	B. of E. Official	4.04	59.4059d.	Panama	Dollar	B. of E. Official	4.04	59.4059d.
Chile	Peso	Special Account	101.35 ³	2.3680d.	Paraguay	Guarani	Special Account	12.60	19.0476d.
China	National Dollar		125.70	1.9093d.	Peru	Sol	Special Account	26.20 ⁶	9.1603d.
Colombia	Peso	American Account	14,000 ⁴	0.0171d.	Poland	Zloti	Polish a/c	403 ⁴	0.5955d.
Costa Rica	Colon	American Account	7.35 ²	32.6531d.	Portugal	Escudos	B. of E. Official	100.20	2.3952d.
Cuba	Peso	American Account	22.65	10.5960d.	Rumania		Private trading	not yet permitted	
Czechoslovakia	Krown	B. of E. Official	4.04	59.4059d.	Salvador	Colon	American Account	10.17 ³	23.5988d.
Denmark	Krone	B. of E. Official	202	1.1881d.	Siam	Tical	Siam a/c.	41	5.8537d.
Ecuador	Sucre	American Account	19.36	12.4967d.	Singapore	Dollar	Sterling Area	2s. 4.1/16d.	28.0625d.
Egypt	Piastre	Sterling Area	56.58 ²	4.2418d.	South Africa	£S.A.	Sterling Area	100½ ²	238.8060d.
Finland	Finmark		97¾	2.4584d.	Spain	Peseta	Special Account	44.00	5.4545d.
France	Franc	B. of E. Official	555	0.43243d.	Sweden	Krona	B. of E. Official	14.50	16.5517d.
French Empire		B. of E. Official	480.30	0.4997d.	Switzerland	Franc	B. of E. Official	17.36	13.8249d.
Germany		Private trading	not yet permitted		Syria and Lebanon	Piastre	B. of E. Official	885	0.2712d.
Greece	Drachma		20,080 ⁵	0.0119d.	Turkey	Piastre	Turkish Account	1140	0.2105d.
Holland	Florin (Guilder)	B. of E. Official	10.70	22.4299d.	U.S.S.R.	Rouble		21.50	11.1628d.
Honduras	Lempira	American Account	8.25	29.0909d.	U.S.A.	Dollar	B. of E. Official	4.03½	59.4796d.
Hong Kong	Dollar	Sterling Area	1s. 2.15/16d.	14.9375d.	Uruguay	Peso	Special Account	7.209	33.2917d.
Hungary	Forint	Hung. a/c	46.96 ⁴	5.1107d.	Venezuela	Bolivar	American Account	13¾ ³	17.4545d.
Iceland	Kronur	Sterling Area	26¾	9.1428d.					
India		Sterling Area	1s. 5.15/16d.	17.9375d.					
Iran	Rial		130	1.8462d.					
Iraq	Dinar= 1,000 Fils	Sterling Area	100½ ²	239.7004d.	Canada	% cent			
Italy	Lire		905	0.2651d.	France	40 centimes			
					Holland	1 cent			

FORWARD QUOTATION (Discount 1 Month)

Sweden	1½ ore
Switzerland	1½ centimes
U.S.A.	% cent

NOTES: ¹ Buenos Aires quotation.

² Athens quotation.

³ Including special charges.

⁴ 90 day quotation.

⁵ Batavia quotation.

⁶ Sight quotation.

⁷ Shanghai quotation.

⁸ per \$100.

⁹ Nominal quotation at present.

¹⁰ For essential imports.